

EUROPEAN NEWS

Moscow and Peking vie for attention of Eastern Europe

BY LESLIE COLT IN BUDAPEST

SOVIET AND Chinese leaders are engaged in a direct and novel competition for the attentions of Moscow's allies in Eastern Europe.

The Soviet Foreign Minister, Mr. Eduard Shevardnadze, arrived in Hungary yesterday as China's Prime Minister and acting party leader, Zhao Ziyang, spent his third day in Budapest. He is on a tour of five East European countries, the first by a Chinese leader since the ideological split between Moscow and Peking in 1961.

Hungarian officials could not recall the last time that senior Soviet and Chinese politicians were present together in an East European country. They said, however, that there were no plans for a meeting in Budapest of the two men.

Chinese and Hungarian flags lined the Margaret Bridge between Buda and Pest while Soviet and Hungarian flags were displayed on the road Mr. Shevardnadze took from the airport into Budapest. He was in Budapest on an official "friendly visit" to discuss relations with Hungary which launched eastern Europe's first economic reforms in 1968.

The Chinese leader, mean-

while, had his second round of talks with Mr. Janos Kadar, the Hungarian leader, who was also scheduled to confer with the Soviet Foreign Minister.

A Chinese-Hungarian economic protocol was signed yesterday and trade is set to expand strongly. China is seen as a potentially important market for Hungarian industrial products and Zhao visited the country's largest engineering company in Győr.

He has already visited Poland, East Germany and Czechoslovakia and is to leave Budapest for Bulgaria today. As if to emphasise the competitive but peaceful nature of the two rival leaders' tours of Eastern Europe, Mr. Shevardnadze began his round of East European visits in Bulgaria.

Western and Eastern diplomats in Budapest said there was no question of China trying to restore Eastern Europe away from its alliance with the Soviet Union. Instead the Chinese were taking advantage of Moscow's efforts to improve relations with Peking in order to restore China's economic, government and party links with Eastern Europe which had remained dormant since the early 1960s.

Visit of Iran PM serves only to embarrass Turkey

BY DAVID BARCHARD IN ANKARA

IRAN'S Prime Minister, Mr. Hussein Mousavi, flew home yesterday after a two-day official visit apparently aimed at boosting the morale of Islamic fundamentalists in Turkey.

He aroused a storm of protest in the Turkish press by refusing to visit the tomb of the founder of modern Turkey, Kemal Ataturk, and instead making an impromptu visit to the central Anatolian town of Konya, the main stronghold of Islamic fundamentalism in Turkey. He told Turkish reporters that it would have been "hypocritical" for him to visit Ataturk's grave.

The leader of the opposition, Professor Erdal Inönü, who is the son of Ataturk's closest associate, led a protest delegation which laid a black wreath out-

side the Prime Minister's office. Apart from embarrassment the Turkish Government appears to have got little or nothing out of the visit. The volume of trade between the two countries may rise to \$2bn this year—though such agreements have not been lived up to in the past—and a Turkish engineer being held hostage by Kurdish guerrillas in Iran has been set free. Turkey has agreed to buy up to \$70m of Iranian non-oil exports. Meanwhile, a controversial decree bringing the governorship of the central bank under direct government control went into force yesterday.

The decree strips the governor of much of his independence and authority and has been widely criticised.



Karamanlis: evidence

Karamanlis attacks UK over Cyprus

By Our Athens Correspondent

BRITAIN'S ROLE during the 1974 Cyprus crisis which led to the occupation of over one-third of the island by Turkish troops and the collapse of the Greek junta has been criticised by Mr. Constantine Karamanlis who took over as Prime Minister of Greece after the dictatorship's fall. Mr. Karamanlis who became President in 1980 retired from political life two years ago.

In testimony submitted to a special parliamentary investigation committee on the Cyprus crisis, which was made public yesterday, Mr. Karamanlis accused Britain of having failed to fulfil its obligations as a guarantor of Cyprus independence, in not having acted to prevent the Greek junta coup against the government of Archbishop Makarios on July 15 1974, and the two-stage Turkish invasion of Cyprus which followed on July 20 and August 14.

"The British Government would have the obligation as guarantor power but also the means through its forces on the spot to discourage both the coup against Makarios and the Turkish invasion, neglected this duty and confined itself to diplomatic initiatives."

Britain maintains two sovereign military bases in Cyprus.

Mr. Karamanlis also revealed that on August 15 1974, Greece asked Britain to provide air cover for the despatch of Greek troops to Cyprus, but the request was refused by London which judged the proposed military mission to be "ineffective and dangerous."

Andriana Ierodiaconou reports on the piecemeal success of the austerity programme

Shortfall wipes the smile off Greek faces

MENTION THE date December 31 1987 in Greece these days and the response is likely to be either a smile or a wince.

The smile is on the face of Greek workers, who have it on the assurance of the Prime Minister, Mr. Andreas Papandreu, that the date will mark the end of the painful economic stabilisation programme introduced by the Socialist Government 18 months ago at the cost of a sharp drop in popularity.

The programme hinges on a tight incomes policy which reduced real pay by about 8 per cent in 1986 and is expected to generate a fall of a further several percentage points this year. It is described as a landmark by the draft Organisation for Economic Co-operation and Development economic survey on Greece completed at the end of April.

"For the first time in the post war period the Greek population, a largely consumer-oriented society accustomed to continuous steep rises in standards of living, was forced to make immediate and large sacrifices notwithstanding strong labour union opposition," the OECD notes.

The wince, OECD praises notwithstanding, tends to come from the economic experts managing the stabilisation programme who are troubled by the knowledge that, firstly, the targets set for 1987 are in no danger of being met, and secondly, that even if they were, there would still be deep-seated imbalances in the Greek economy which would require effort and sacrifice well into the future.

The primary problem by common consent is Greece's largely wasteful and inefficient public sector, which has mushroomed since the end of the 1970s. At the same time, however, the draft OECD report notes a "puzzling" weakness in the

Greek private sector, which for the most part failed to profit either from the rapid growth in state spending on goods and services or from the opportunities afforded by European Community accession in 1981. Significantly, since 1979 the private sector's contribution to annual output is estimated to have run at close to zero since 1978.

The Government's stabilisation measures, helped by the fall in oil prices, succeeded in reducing the net public sector borrowing requirement to some 14 per cent of gross domestic product in 1986, from 18 per cent of GDP the previous year. However, dizzying deficits totalling hundreds of billions of drachmas carried by public sector enterprises, mainly the state social insurance funds and Olympic Airways, continue to pose formidable constraints on the 1987 target of reducing the public sector borrowing requirement to 10 per cent of GDP.

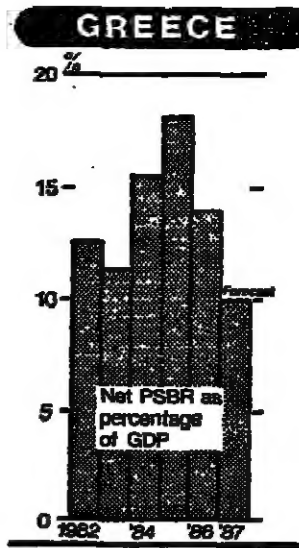
Economy Ministry officials describe the social insurance funds deficits as "by definition intractable"—meaning that any attempt to limit pensions or health coverage would be politically costly and contrary to the Socialists' social welfare platform.

At the same time they say there is no margin for boosting revenue through further price rises for public sector services—a hefty package of increases taking in Olympic Airways tickets and electricity and telecommunications rates was announced to stormy public and trades union protest in April.

"We will have to cut down somewhere else—and we will, both in the regular budget and in the public investment budget. But we don't hide the fact that we are worried," one official said.

The Economy Ministry is also keeping an eye on the increasingly precarious target of reducing December on Decem-

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cent relative to the January to April period last year, reflecting a 23.6 per cent increase in non-oil import costs, only partly offset by 15.6 per cent increase in overall export earnings.

According to the Centre of Research and Studies, a non-government research organisation, export earnings, which reached a high \$3bn last year will at best remain level in 1987, reflecting low demand in Greece's main markets and a loss in competitiveness due to the effective dismantling of the first of this year of a long-standing system of state subsidies for exports.

In addition, the centre estimates that an export rush to beat the January 1 deadline in the last three months of 1986 will account for a \$300m to \$400m loss in export revenue this year. Greek industry's dependence on state protectionism is cited by the OECD as one factor accounting for the weakness of the private sector. According to the centre the effect on exporters of the elimination of subsidies "is like that on an African tribe obliged to go from one day to the next from the bow and arrow to the computer."

Looking ahead to 1988, government officials say that despite a planned easing of incomes policy with the aim of "a small real increase in pay," stabilisation efforts will largely continue. "Maintaining the existing incomes policy is neither economically nor politically feasible. But that doesn't mean that from January 1 1988 there will be a free for all—we don't want to lose what we have gained in 1986 and 1987," one official remarked. His words might temper the smile of Greeks anxiously awaiting December 31. But they would seem to carry the only chance of putting a smile on the face of the Greeks of the future.

Athens seeks ways to narrow economic gaps in EC

By Our Athens Correspondent

GREECE IS to propose measures to narrow the gap between more and less developed European Community member states, in light of the intention to set up a single European market by 1992.

The proposal, unveiled in Athens yesterday, is to be discussed at a meeting of EC foreign ministers in Brussels

next Monday. According to the Greek Minister for EC affairs, Mr. Theodore Pangalos, Athens' views on economic convergence enjoy the broad support of the southern EC member states, such as Spain, Portugal and Italy.

The driving argument of the Greek proposal is that existing economic inequalities within the

Community will be made even greater by the dismantling of barriers to free trade. Thus existing Community policies, such as those relating to capital, transport, or small and medium-sized businesses, must be adapted and new policies designed in such a way as to promote the development of disadvantaged member states.

In addition, the financial resources of the structural funds must be increased and regional inequalities taken into account more effectively in their allocation. Reform of the Common Agricultural Policy (CAP) must consider the special problems of the Mediterranean area. Finally, the proposal calls for the preferential treatment of

poorer member states, for example through the granting of special low interest rates and extended grace periods on European Investment Bank loans. EC members with balance of payments problems, a category which includes Greece, should be allowed a transition period before the full liberalisation of capital movement.



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NETWORKING

EUROPEAN NEWS

Corsica faces upsurge in terror

By Paul Rette in Paris

THE FRENCH Government is facing a new upsurge of separatist violence in Corsica following the killing of a leading anti-separatist figure on the troubled Mediterranean island.

Dr Jean-Paul Lafay, a veterinary surgeon and active anti-separatist campaigner, was shot dead by extreme Corsican nationalists after taking part in a local television programme in Ajaccio, the Corsican capital, on Tuesday night.

The outlawed Corsican separatist movement Front de Libération Nationale de la Corse (FLNC) claimed responsibility for the killing which came a few hours after the end of a stormy three-day visit to Corsica by Mr Charles Pasqua, the French Interior Minister.

Corsican nationalists had earlier walked out of the island's regional assembly to protest against Mr Pasqua's presence. Separatists subsequently managed to disrupt a tight security cordon to disrupt a speech by the French Interior Minister in the main square of Ajaccio.

Mr Pasqua in his usual colourful and eloquent style had chided the separatists describing them as "cowardly gangsters."

The shooting a few hours later of a leading anti-separatist personality was immediately seen as a new direct challenge by the Corsican nationalist extremists against the Paris central government.

The latest upsurge in terrorist violence in Corsica prompted a firm response from President Mitterrand who declared during a cabinet meeting yesterday that all legal methods must be put into place to discover and punish the culprits of the latest killing.

He added that efforts had to be stepped up to unite the nation and calm spirits. Mr Pasqua also reaffirmed the government's commitment to fight terrorism.

The resurgence of terrorist violence in Corsica comes at a particularly delicate time for the Mediterranean island with the imminent advent of the summer holidays. Separatist terrorism has caused serious damage to Corsica's tourist industry.

French prices rise by 0.2%

By George Graham in Paris

FRENCH RETAIL prices rose by 0.2 per cent in May, the government statistical office, Insee, announced yesterday. The moderate rise brought the year on year rate of inflation down to 3.4 per cent from 3.5 per cent a month earlier.

The Finance Ministry said the fall had cut the gap between French and German inflation rates to 3.2 percentage points, and that it expected to reduce it further to 2 percentage points by the end of the year.

Pressure grows on UK to back research plans

BY QUENTIN PEEL IN STRASBOURG

THE European Parliament and the European Commission yesterday sought to step up the pressure on the British Government to lift its veto on the Ecu 5.7bn (£4bn) joint EC research programme in the aftermath of the UK election.

Both Mr Karl-Heinz Narjes, the Commissioner responsible, and Mr Michael Poniatowski, chairman of the European Parliament research and technology committee, called on Mrs Margaret Thatcher, the British Prime Minister, to accept the compromise programme when she attends the EC summit in Brussels on June 29.

All 11 other member states have agreed to a financial package which falls well short of the Ecu 10.35bn originally sought by the Commission, but is still much more than the Ecu 4.2bn which the UK has hitherto been prepared to accept.

The programme is intended as a framework within which specific research co-operation schemes—such as the Esprit information technology projects, and the Race broad band telecommunications research programme—can be fitted. The finance would be an upper limit for such schemes until 1991.

Britain has already been attacked severely by MEPs and Commissioners for refusing to accept the compromise—particularly as it would be a significant net beneficiary from the co-operation projects.

OECD presses Iceland to tighten grip on economy

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE ICELANDIC economy is expected to expand significantly this year with a growth in gross national product of some 3.5 per cent following a jump of 6.2 per cent in 1986.

The Organisation for Economic Co-operation and Development says in its latest report on Iceland, however, that the current account will slip back into deficit this year and it warns strongly of the danger of a "renewed acceleration of the cost-price spiral".

The OECD urges greater commitment to tight fiscal and monetary policies and calls for the adoption of a more effective anti-inflationary strategy.

Iceland has been plunged into political uncertainty since the general election in April which ended inconclusively, and several weeks of talks between the main parties have failed to reach agreement on a workable coalition.

The country's economic performance has fluctuated wildly, and in 1983 real incomes fell by 12 per cent as the centre-right Government began to implement a stabilisation programme aimed at reducing inflation which was running as high as 130 per cent in the early months of the year.

In 1985 and 1986 Iceland's fortunes improved dramatically helped by an unusual set of favourable circumstances, which allowed real disposable incomes to increase by 10 per cent a year.

Real GNP has grown by nearly 9.5 per cent in the past two years and there was a jump of 12.5 per cent in gross national income against a background of rising fish catches, lower international interest rates and a marked improvement in the terms of trade with a reduced oil bill and rising fish prices.

The inflation rate last year was the lowest since the first oil shock with prices during the course of the year rising by 13.5 per cent compared with 36 per cent in the course of 1985.

The OECD says, however, that as a result of the 1987 wage settlement nominal per capita earnings are officially expected to grow by 22.5 per cent this year with an increase of 8 per cent in real disposable incomes, rises "far in excess of developments in other OECD countries."

With a very tight labour market—the unemployment rate is below 1 per cent—the OECD is concerned that wages will rise faster than officially forecast, which will put additional inflationary pressures on the current account, business profitability and the exchange rate.

The base of the economy remains narrow, it says, and the scope for reducing dependence on traditional industries is limited, which leaves Iceland "vulnerable to external disturbances."

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OPPOSING VIEWS ON REUNIFICATION UNDERLINED

West Germans at odds over Unity Day

BY DAVID MARSH IN BONN

WEST GERMANY yesterday commemorated Unity Day, but the country is seemingly split as never before about the significance of the annual day of remembrance of the East German uprising of June 17, 1953.

Opening in the Bundestag the traditional hour-long ceremony marking the anniversary, Mr Philipp Jenninger, the Bundestag president, sharply criticised the current trend in public opinion questioning the state's constitutional duty to seek eventual reunification of the two German states.

Pointing out that "our countrymen (in East Germany) suffer much more than we do from the division," Mr Jenninger took aim at people who claimed Unity Day was a sign of "a living lie, self-deception or schizophrenia."

This seemed to be a direct and unusually strong rebuff to the mass circulation left-leaning illustrated magazine, Stern

which this week said nobody believed any more in reunification and that the holiday should be abolished.

Mrs Dorothee Wilms, newly-appointed Minister for inner-German relations, said on television on Tuesday evening that "freedom of all Germans is the condition for the unity of Germany."

Preserving and creating "common interest" between the people of East and West Germany would guide Bonn's policies as long as the nation remained divided, she said. The goal of "common interest" was backed up by Bonn's efforts to win more freedom for East Germans to travel to the West as well as though attempts to forge more economic, environmental and technical co-operation.

Hans Buechler, a spokesman for the opposition Social Democratic Party on relations with East Germany, yesterday clearly distanced the SPD from



Dr Dorothee Wilms, the overriding goal of unity, saying liberty was the main priority.

He pointed out that German unity forged under Bismarck in 1871 was not the "normal case" of German history. "It has to be asked whether the

solemn call for a reproduction of the German national state corresponds to the wishes and yearnings of people of today, or whether (it) is not more suited to disturbing the process now beginning towards more freedom in the area under communist power," he said.

Mary West Germans made use of the day off to head for south-pointing motorways on annual holiday pilgrimages to escape the teeming rain.

But in the Bundestag, Prof Fritz Stern, an American historian from Columbia University, who was this year's guest speaker at the Unity Day ceremony, delivered a searching and uncomfortable address suggesting that West Germans should use the day to ponder on the merits—and the possible temptations—of their new-found democracy.

Prof Stern (61), born of Jewish parents in Breslau in what is now Poland, fled Europe as a 12-year-old in 1938 to escape

the Nazi programs. Recalling that he had lost several close relatives in Auschwitz, he said yesterday "I come from a Germany which no longer exists—and never will again."

His speech was made before a well-attended chamber, including Chancellor Helmut Kohl, President Richard von Weizsäcker, and most of the cabinet. He said that in spite of West Germany's post-war democracy, "a whiff of worry" hung over the country. Referring to the reform process of Mr Mikhail Gorbachev, Mr Stern said "an alluring wind from the East" was blowing at a time of "disillusionment" in West Germany.

But he pointed out that freedom was more treasured in countries like East Germany which did not have it than in democratic countries. West Germans had to be on their guard to ensure that the post-war spirit of reconciliation with the West was maintained.

Waldheim to see Pope in Rome

PRESIDENT Kurt Waldheim, barred from the United States because of alleged links to Nazi atrocities, will have an audience in the Vatican with Pope John Paul next week on his first trip abroad since election a year ago, AP reports from Vienna.

The Vatican said Dr Waldheim would pay an official visit on June 25. Such visits usually include a private meeting with the Pope, a public exchange of speeches and a ceremony playing national anthems. Dr Waldheim, a practicing Roman Catholic, will be accompanied by Mr Alois Mock, the Foreign Minister.

Nations 'arm both sides' in Gulf War

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NO FEWER than 27 countries have supplied both sides in the Iraq-Iran war with weapons or other support since the war began in September 1980, the Stockholm International Peace Research Institute (Sipri) claimed yesterday.

From 1980 to 1986 arms or support were sent from 33 countries to Iraq or Iran, 13 more nations than in the previous three years, with 27 supplying both sides compared to only 10 previously.

At the end of 1986—the year proclaimed by the United Nations to be the International Year of Peace—there were 36 armed conflicts in progress around the world with an estimated 5.5 million soldiers from 41 countries, a quarter of the world's nations, directly involved in the fighting.

The latest facts on a world at war are contained in the 1987 yearbook on World Armaments and Disarmament.

By far the most bloody and costly current conflict is the Iraq-Iran war, which has become "one of the most significant conventional wars of the century," says the institute. It has already lasted longer than the Korean War or either world war and has resulted in more deaths and destruction than all the Arab-Israeli wars combined.

Sipri calls it "potentially the most dangerous conflict in the world today" holding out the possibility of a superpower confrontation.

The year book catalogues in detail the flow of arms to both sides in the war, which has demonstrated that national boundaries or political ideology mean little in the arms trade business.

French weapon deliveries to Iraq since September 1980 have been estimated at values as high as \$5.9bn, which would make it the largest supplier to either side, says Sipri. In late 1986, however, US officials claimed that China's \$3bn worth of arms to Iraq, plus \$1bn to Iran, made it the number-one arms supplier in the war.

Other major suppliers include the Soviet Union and Egypt.

Sipri says that Iraq has not had the reliable sources, especially of modern weaponry, that it has found many willing suppliers. It is estimated to have imported about \$9bn in weapons since 1980.

The Iraq-Iran war has produced around 1m casualties—350,000 dead and 650,000 injured—Sir Geoffrey Howe, Britain's Foreign Secretary, was urged by the opposition Labour Party yesterday to make clear whether the UK has collaborated with the US in providing Blowpipe missiles to the Afghan rebels.

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18th June, 1987

Pohjola Group:

Welcome to the Casino

"One of the greatest weaknesses of the Finnish economy has been the lack of a speculative element in the capital market," says Pentti Talonen, General Manager of the Pohjola Group.

Talonen believes the time for passive investment is past, and Pohjola has funds to invest. Its latest victories: five more percentage points of the booming life assurance market, and reinsurance back in the black.

by Patrick Humphreys, Nordic Communications Corporation



Pohjola's Talonen: Restoring public faith in life assurance

"I must admit that it's not altogether very desirable for one company to hold more than a market share of more than about a third," says Pentti Talonen apologetically. The Pohjola Group holds nearly 33% of employment pension insurance and has just boosted its share of the life assurance market to 49%.

Life assurance has been growing briskly in Finland: total premium income rose by almost a quarter last year. "After the war, Finland's high inflation rate wiped out the value of many policies because the life assurance companies had made most of their investments in the form of loans," Talonen explains.

Now public confidence in the value of life assurance policies as a form of savings is recovering. "The first step to restoring confidence was complete indexing of all life assurance and savings policies. Then we overhauled our range of policies and began marketing them strongly. The results have been quite exceptional. Our rising share is simply due to the fact that Pohjola companies have been the most innovative," Pohjola was the first Finnish insurance company to be awarded a triple A rating by

Standard and Poor's Corporation.

Turning reinsurance around

Even reinsurance, the bane of so many companies, is finally showing profits. Pentti Talonen claims Pohjola realised back in 1982 that there was no point trying to wait out the depression in prices. "The fundamental reasons, excess US insurance capacity and low premiums, were not going to go away, and we had to trim back our exposure." The series of losses was halted last year "though we would have had reinsurance back in profit in 1985 if we hadn't increased our reserve against losses."

Healthy premium income has made Pohjola a major investment force. As the only Finnish insurance company currently quoted on the stock exchange it is also a popular investment itself. "We own a larger portfolio of shares in quoted Finnish companies than any other organisation, and they are better-than-average shares. For this reason buying a Pohjola share is like buying a range of Finnish equity."

The same reasoning has appealed to foreign investors, barred from buying restricted

stock. Insurance companies are exempted from the legislation that restricts the proportion of Finnish equity that can be held by foreign nationals. Of registered Pohjola shares some 26% were held by foreigners last year, and because registration lags somewhat, Talonen estimates that the rate today is about 30%. "In fact, of the capital that Finnish companies have raised abroad in the past two or

and the enhanced level of Finnish share prices spells a new turn in Pohjola's investment strategy. "So far, equity investment in Finland, and as practiced by this company, has been to buy and to hold. This is still the situation because real productive and material values have been below market price. But as prices improve, selling becomes more realistic. Our aim is not pure speculation but there

THE POHJOLA GROUP

Pohjola non-life insurance	Pohjola International reinsurance	Ilmarinen pension insurance	Suomi-Salama life insurance savings insurance
Pohjola (U.K.) reinsurance			
Pohjola America reinsurance			

three years, Pohjola has raised almost a third."

Booming portfolio

Pohjola shares had the highest turnover of any stock on the Helsinki exchange last year: the turnover of 'A' and 'B' shares combined was 1.1 billion Finnish marks. Adjusting for a bonus issue, 'A' shares finished the year 66% higher and 'B' shares 34%.

The rise in average Finnish stock market prices and turnover has been very fast," notes Talonen. "But I am confident it has not peaked. Share price averages and the volume of trading are still modest compared with many countries. I'm not predicting what kind of cyclical movements there will be along the way, but there's definitely room for more growth."

Pohjola's General Manager believes in the capital market,

is going to be a speculative element in place of passive ownership."

Pentti Talonen feels dire warnings about the growth of a casino economy are out of place. "Of course if the speculative economy loses touch with the real economy, then things have gone too far, but Finland is very far from that point. So far our capital market has been quite devoid of speculative elements and this has been one of the weaknesses of our economy."

"The principal role of the capital markets is to channel finance into the firms and projects where the yield is greatest. When the markets are not active—when there's no 'casino'—the mechanism for providing funds to the top yielding projects will not function properly. Compared with the point Finland has been at, the emergence of speculation deserves a warm welcome."

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Key statistics, financial year ended 31 December 1986

Premium income	FIM 6,135 million
Claims incurred	FIM 5,282 million
Operating result	FIM 342 million

OVERSEAS NEWS

Ruler of Sharjah abdicates over debt difficulties

BY RICHARD JOHNS

A STRUGGLE for power in the Gulf state of Sharjah, which could profoundly shake the United Arab Emirates, ended last night as Sheikh Sultan bin Mohammed al-Qasbi - the ruler - flew back to the Gulf, apparently to contest a takeover of the state by his elder brother.

Sheikh Sultan's wife, Jawaher, who was contacted in London, said her husband had been overthrown, according to Reuters. "He has been replaced by his brother. I don't know anything more about it," she said.

Earlier in the day, the official UAE news agency (WAM) based in the federal capital Abu Dhabi had quoted Sheikh Sultan, as saying that he had abdicated in favour of Sheikh Abdul-Aziz, his 50-year-old brother, who was passed over at the time of the last succession crisis in 1972.

Sheikh Sultan, however, is understood to have been in London for the past two weeks. The validity of the statement attributed to him was immediately contradicted by the state television service of neighbouring Dubai which said he had been deposed by Sheikh Abdul-Aziz.

Diplomatic observers said that the Dubai TV transmission indicated disapproval by the Emirates' ruling family - the Al Maktoums, who have a long history of rivalry with the Al Qasbi of Sharjah - of any

such take-over. The WAM report, meanwhile, seemed to signal the blessing of Abu Dhabi, the dominant member and paymaster of the federation, for such a change.

Sheikh Sultan's destination was believed to be Dubai. He was understood to be flying in his own private aircraft.

The statement attributed to him by WAM said: "Mistakes were made in planning our financial policy... accordingly damage has developed and debts accumulated in our budget."

Sharjah airport was closed to air traffic last night, according to reports from Dubai. At the same time, the Dubai Defence Force and some Mirage aircraft of the federal air force were said to be on alert.

On the strength of a small oil revenue and a significant gas discovery Sharjah, which has the biggest indigenous population of all the Emirates, borrowed heavily up to 1983.

It has debts in the name of Sheikh Sultan of about \$12m and has been defaulting on repayments.

The abdication statement carried by Wam agency is understood to have been delivered to the Abu Dhabi cabinet news agency by Sheikh Sagr, another of Sheikh Sultan's brothers.

Sheikh Sultan is unique among his peers in the Gulf in having had higher education. He studied agriculture at Cairo University

Mozambique wins long debt rescheduling

By George Graham in Paris

MOZAMBIQUE has won the gentlest terms ever accorded to a developing nation for the rescheduling of its external debt.

Western creditor nations meeting in the Paris Club this week have agreed to reschedule Mozambique's government - to government - debts over an unprecedented period of 20 years.

The rescheduling forms part of a new initiative by the Paris Club to help the poorest and most heavily indebted countries, especially those in Africa, by granting them more favourable terms for their debt repayments.

The main concession was to relax the Paris Club rule limiting reschedulings of official debt to 10-year periods.

The first country to benefit was Zaire last month, which had \$800m of its debt rescheduled over a period of 15 years, with a six-year grace period.

Earlier this week, Mauritania won a rescheduling over the same timespan, though with only a five-year grace period.

For Mozambique, with a total external debt estimated at \$3.2bn, an even longer respite was seen to be necessary. Bank analysts working in Paris describe the country's financial position as catastrophic, with three-quarters of its agriculture - dependent economy wiped out by civil war.

Negotiations with Mozambique's commercial bank creditors in the London Club, however, are understood to have reached stalemate.

Mozambique rebel attacks

MOZAMBIQUE right-wing rebels said today they killed 29 government troops in a series of attacks this week.

The Mozambique National Resistance (MNR) said in a statement distributed in Lisbon that it shot down 24 government soldiers on Tuesday in attacks on and near the Nacala railway linking Malawi to the Mozambique coast.

unknown destination.

The move was announced yesterday at a meeting with opposition MPs by Mr Rajiv Gandhi, the Prime Minister. He and Mr K. C. Pant, Defence Minister, also rejected proposals that the contract should be cancelled, saying that the Indian army needed the weapons for defence against neighbouring Pakistan.

Mr Gandhi has denied allegations by an opposition MP that he and "his friends" received some of the Rs 500m (\$25m) sum involved.

Bofors former agent in Delhi to be prosecuted

BY JOHN ELLIOTT IN NEW DELHI

LEGAL proceedings have been started by the Indian Government's law enforcement directorate against Mr Vin Chaddha, the former agent in New Delhi for Bofors of Sweden which has been accused of making secret payments to Indian middlemen linked with a \$1.4bn gun contract.

This is the first legal action taken by the Indian Government over the politically embarrassing allegations. A case has been filed against Mr Chaddha, who has left India for an

S. AFRICAN REPORT URGES 'REHABILITATION' FOR YOUNG BLACK OFFENDERS

Call for crackdown on black youth

SOUTH AFRICA should set up special rehabilitation centres for young blacks who commit politically motivated offences, a key government advisory council suggested yesterday, *Reuter reports from Cape Town.*

The President's Council, a multi-party body which advises President P. W. Botha, also suggested extending military service, compulsory for white youths, to young blacks.

It issued a 100-page report on "Youth in South Africa" which blamed many of the country's problems on the erosion of traditional morality, citing Communism among young blacks and "harmful deviations" such as homosexuality among young whites.

It advocated "the extension of military service or other forms of training for young people where the emphasis is to foster discipline".



Mr Pieter Botha

saying this could solve "many social problems... especially for young black people."

Black youths have spearheaded three years of protest violence against apartheid race segregation and the black majority's exclusion from parliament. Thousands have been detained in ordinary jails under emergency laws.

The report recommended setting up "training and rehabilitation centres for intimidators and politically motivated juvenile delinquents."

The aim would be "not only to foster in them meaningful ideals, but also to protect orderly and peace-loving members of the community from their acts of intimidation and terror."

The report said the country's youth - just over half the population is under 25 - was at risk from the erosion of Christian values which it was the state's duty to preserve.

Mr Botha's National Party has a

majority on the Council, whose reports often form the basis of legislation.

The report suggested toughening censorship - already strict by Western standards - on portrayals of sex and violence.

It said black moral standards are threatened by overcrowding and unemployment in the townships, and the weakening of family ties through the migrant labour system. It did not mention that until last year apartheid laws barred many black men from bringing their families with them to the cities.

Moral problems are compounded by anti-apartheid clergy, it said, adding: "Clergymen are encouraged... to join the Communist chorus while these 'political clerics' themselves live in relative comfort and luxury, travel world-wide and inter alia fan the flames of hysterical anti-South Africanism."

Pledge to continue Vietnam 'purification'

NGUYEN Van Linh, the Vietnamese Communist Party chief, said yesterday, that Vietnam will continue to "purify" and reorganize the party and state so they can effectively carry out urgent economic and social reforms, according to the country's official media, AP reports from Bangkok.

Linh also criticized corruption that he said had spread to "all levels" of the party, government and bureaucracy. Inadequate laws also have impeded implementation of the economic reforms, he told the opening session of the New National Assembly.

The Vietnam news agency, which carried Linh's keynote speech, did not announce any leadership changes. But it said the 496-member body will "elect the organs of state leadership and high-ranking state leaders" during its weeklong session.

Widely expected to announce their retirements at the session are Phan Van Dong 78, who has been premier since 1983, and President Truong Chinh, 80, who has been at the pinnacle of power for decades.

They resigned their top party posts at last December's party congress. Their retirements from Government would strip the senior leadership of the last revolutionaryaries who helped Ho Chi Minh found the Communist Party in 1930 and

then guide it through five decades of turmoil.

Linh's speech was incompletely monitored because of reception problems. In it, he said the party congress had offered solutions to serious social and economic instability, but added that these could not be implemented without changes in organization and personnel.

After the party congress made economic reformer Linh the Party Secretary General, Vietnam announced a major cabinet reshuffle in February. The younger technocrats elevated to the Government and to the National Assembly in the April 19 elections were supposed to

push forward economic reforms based on decentralization of management, material incentives and limited private enterprise.

In addition, over the past year, authorities have purged, disciplined and tried in court numerous lower level officials accused of corruption, inefficiency and sloth.

"Since the Congress, the party and state have focused on making structural and personnel adjustments in central and local offices," Linh said. "Only when order and discipline are re-established in the party and all state bodies will we be strong enough to re-establish order and discipline in society."

more efficient overseas producers.

The problem for the unions and the Peronist politicians who rely on the urban working class vote, is that the post-war rise to power of the Peronists was associated with the redistribution of huge surpluses accumulated during the war.

As one Peronist-turned-Communist pointed out though, "The world has changed. Argentina is now a major debtor to the world instead of a creditor. Production is less than in the early 1970s and there is greater competition both between unions and between employers and employees for the share-out of what is essentially a smaller cake." For the Communists, this is the raw material of revolutionary politics and another chance to radicalise the trade unions.

For the industrialists, Government and conservative union bureaucracies, it is a reason to bury differences and unite against a possible resurgence of the left.

For this reason the CGT itself is divided. The unions with the big industrial muscle and large memberships such as the UOM have largely managed to ride out the government's austerity since mid-1985. Members of the smaller unions and the state-sector unions - and between them the hardest hit, Mr Ubalini represents the latter and his militancy has been supported by

Seoul plans to end term early for universities

THOUSANDS of students and citizens battled tear-gas-firing riot police across South Korea again yesterday as authorities decided to advance holidays at some universities in the hope of reducing political turmoil, *Reuter reports from Seoul.*

Authorities said about a dozen universities would end classes prematurely and go into summer vacations from tomorrow to prevent student demonstrations, after they refused to sit end-of-semester examinations.

More than 30 other universities are considering similar measures, according to university sources.

Altogether, police said, some 50,000 protesters, mainly students, staged campus and street protests across the country.

In the south-east port Pusan, some 350 students stormed a Roman Catholic centre, defying hundreds of riot police, to demand the resignation of President Chun Doo Hwan, witnesses said.

They said the students were among more than 5,000 protesters who attacked police with stones and petrol bombs, set fire to police vans and occupied the main streets of South Korea's second largest city. Similar clashes were reported in Chŏnju, near Pusan.

About 1,000 students, after a violent street clash, occupied a section of an expressway, hijacked two chemical gas trucks and threatened to blow them up if police did not release 29 colleagues arrested earlier.

Police later overpowered them without incident and detained several.

Witnesses said street violence also erupted in Taejeon, a central town, traditionally free from dissident activities.

AP adds from Singapore: Mr George Shultz, the US Secretary of State, yesterday urged an end to demonstrations in South Korea and resumption of talks between the Government and its opponents. But he also said, "we cannot snap our fingers" and expect a settlement.

"We believe that discussion between the various contending parties about the structure of the election and so on should be started up and pursued," Mr Shultz told reporters travelling with him on a 10-day trip to Asia.

AMERICAN NEWS

Reagan acts to speed Costa Rica peace plan

PRESIDENT Ronald Reagan, the US leader, was yesterday due to hold talks with President Oscar Arias of Costa Rica in a hurriedly arranged meeting caused by the postponement of a Central American summit due to be held next week in Guatemala.

The US President's surprise move appeared to have been prompted by the White House's need to be adopting a more understanding stance towards the Central American peace plan initiated by the Costa Rican president, and to head off criticism for having sabotaged the summit meeting.

President Arias is in the US having been invited to a seminar in Indianapolis and was due to see Mr George Bush, the US Vice-President, in Washington today.

However, he was personally called by Mr Reagan on Tuesday inviting him to a meeting at the White House to discuss his peace plan.

President Arias has voiced scarcely concealed dismay over sudden objection from the US's main allies in the region, El Salvador and Honduras, that the summit has been insufficiently prepared - objections which have forced a postponement probably until early August.

President Arias launched his peace initiative in February and for more than two months the summit had been fixed for June 25.

The Reagan Administration has refrained from giving formal backing to the plan which calls for a ceasefire throughout the region, democratic elections and an end to foreign support for insurgents.

President Reagan is still seen as determined to press ahead with his demand for more funds from Congress to support the anti-Sandinista "contra" rebels in September.

However, in the light of the recent intransigent hearings this task has become increasingly difficult and he is under pressure to adopt a more conciliatory position.

The US Senate has backed the Arias plan in a 97-1 vote and a number of congressmen regard it as a more viable alternative than the four nation Contadora plan put forward more than four years ago.

Walter Heller: Economist of the Great Society

PROFESSOR Walter W. Heller, chief economic adviser to Presidents Kennedy and Johnson, who died of a heart attack aged 71 this week, was in many ways the intellectual father of modern US economic policy-making.

For three years - 1961 to 1964 - he built up a team of talented economists who laid the theoretical foundation of the Democrats' Great Society.

Heller was a disciple of Keynes. The high point of his career came with the historic tax cut of 1964, in the face of a federal deficit. This set off the longest period of sustained growth in US history.

When inflation began to accelerate during the Vietnam war, however, Mr Heller advocated tax increases. President Johnson ignored him, whereas the runaway inflation of the 1970s and put the economics

of the 1980s into disrepute. Mr Heller was born at Buffalo, New York state, in 1915, the son of German immigrants. His father was an engineer and mathematician.

Mr Heller went in 1937 to Germany, where he worked for the US military administration. He ventured in 1951 as an official of the Marshall Plan.

His introduction to national politics came when he was a professor of economics at the University of Minnesota and Senator Hubert H. Humphrey introduced him to Senator John Kennedy, during the latter's presidential campaign of 1960.

Kennedy hit it off with Heller and, after his election, asked him to come to Washington.

After his retirement, he returned regularly to the White House as an economist who had an affinity with power, and knew how to apply it practically.

Tim Coone reports on the power struggle between the Argentine government and the labour movement Divide and rule puts Alfonsín at mercy of the unions

THE headquarters of the Argentine General Confederation of workers (CGT) in Buenos Aires is a symbol of the country's most powerful working class organisation. Its imposing concrete facade is plastered with posters and spray-painted slogans.

Inside, rooms are furnished sparsely with worn-out chairs and desks and patchy cigarette-burned carpets. A lock is smashed on one of the doors and a window is broken and patched with newspaper.

Argentine trade union politics are tough, frequently uncompromising and, when all else fails, violent. Militants of both right and left took up arms during the violence of the 1970s.

The country's unions are widely recognised as the most organised and powerful in Latin America and although weakened by political infighting, they are a potent force that can wreak havoc with an economic policy, as President Raul Alfonsín has discovered in three and half years of government.

Approximately half the economically active workforce of 8m is unionised and there are almost 1,500 unions, ranging from the powerful Metalworkers Union (UOM) with some 290,000 members, to tiny units of a few hundred workers.

Practically all the unions are affiliated to the CGT. It is

headed by the militant Mr Saul Ubalini, its general secretary, who has organised eight general strikes against the Government since it came to power in 1983.

Internationally, the CGT is affiliated to the Social-Democrat oriented International Federation of Free Trade Unions. Nationally, however, the CGT reflects the main divisions within the opposition Peronist Party, named after General Juan Domingo Peron. He introduced the country's first major labour reforms after the Second World War and wrested control of the trade union movement from the dominant Communists and anarchists by brute force and judicial manipulation.

The unions became responsible for the provision of health care, recreation and vacation facilities for their members through tripartite support from the state, employer and employees. The funds, known as *Obras Sociales* (social works) have been the subject of great controversy. The military government of 1976 took control away from the unions and its return is one of the principal demands of the unions in the negotiations with the government over a social contract.

This will be a key feature of a new packet of union legislation being considered. The continuing disagreement between the Government, unions and employers over the proposals dashed President



Argentina

Alfonsín's hopes of presenting the social contract as a consummated fact to the International Labour Organisation in Geneva during his visit to Switzerland last week. Failure to pass the legislation in the form desired by the unions may trigger the eventual resignation of Mr Carlos Alderete, the new Labour Minister who was appointed from union ranks last April.

One of the key factors in the power of Argentina's unions has been their nationwide organisation and the strong centralised control exerted by their leadership. Workers' unions are usually deducted at source by the employer and paid into the union's main bank account, which gives it enormous leverage over the regional branches.

The Argentine unions are thus predominantly centralist and nationalist, powerful bureaucracies with which management are used to negotiating. According to Mr Daniel

James, a Yale University Professor, a specialist on the Peronists and Argentina's trade union movement: "The unions have historically preferred to negotiate for full employment rather than high wages. Full employment means more members, which brings greater income for the union and subsequently greater economic and political power to wield within Argentine society. This in turn has led to chronic overmanning and low productivity and slowed the pace of technological change. Managements have been willing to accede to such policies, as long as the government of the day have in turn been prepared to provide tariff protection to domestic industries facing stiff competition from

more efficient overseas producers. The problem for the unions and the Peronist politicians who rely on the urban working class vote, is that the post-war rise to power of the Peronists was associated with the redistribution of huge surpluses accumulated during the war.

As one Peronist-turned-Communist pointed out though, "The world has changed. Argentina is now a major debtor to the world instead of a creditor. Production is less than in the early 1970s and there is greater competition both between unions and between employers and employees for the share-out of what is essentially a smaller cake." For the Communists, this is the raw material of revolutionary politics and another chance to radicalise the trade unions.

For the industrialists, Government and conservative union bureaucracies, it is a reason to bury differences and unite against a possible resurgence of the left.

For this reason the CGT itself is divided. The unions with the big industrial muscle and large memberships such as the UOM have largely managed to ride out the government's austerity since mid-1985. Members of the smaller unions and the state-sector unions - and between them the hardest hit, Mr Ubalini represents the latter and his militancy has been supported by

precisely those hardest hit sectors.

The Government's strategy has been to try and play off one sector against the other. Mr Alderete represents a group of more conservative and traditionally powerful unions (referred to as the Group of 15) that wants to regain control of the CGT and especially the *Obras Sociales* and the patronage this provides.

This group is the core of Argentina's union bureaucracy, representing the heavyweights of the private manufacturing sector. If the Government can tie it to a no-strike agreement by returning control of the *Obras Sociales* to the unions, it can hope to hold Mr Ubalini at bay for the rest of the year and in the longer term even undermine his leadership of the CGT.

Without its own trade union base, the radical party in government has opted for a divide and rule strategy with its formidable union opponents. So far it has had some success.

The question is whether this will eventually be at the expense of other cherished radical policies such as industrial, bank and union reform, where the unions have a strong interest in retaining the status quo.

The Government is walking a dangerous tightrope, and a failure of the social contract could turn the full weight of union power against it.

Revised US GNP figures show 4.8% rise

By Lionel Barber in Washington

THE US economy grew at an unexpectedly strong rate of 4.8 per cent in the first quarter, according to revised figures from the Commerce Department yesterday.

This compares with an earlier estimate of 4.3 per cent for the first three months of 1987, which most private economists said could not be sustained for the rest of the year. Much of the growth represented swelling of inventories.

Most analysts see GNP growth this year at between 2.5 per cent and 3.5 per cent. The Administration predicts 3.2 per cent.

Corporate profits fell 2.9 per cent in the first quarter, not 5.5 per cent as initially reported.

Koch warns against vigilantism

THE ACQUITTAL of New York subway gunman Mr Bernhard Goetz on attempted murder and assault charges does not mean the city tolerates people who take the law into their own hands, the mayor Edward Koch said yesterday, AP reports from New York.

"Some may be apprehensive that the verdict is a signal that vigilantism will be condoned. They are wrong," Mayor Koch said in Nashville, Tennessee, where he was at a meeting of mayors.

"Vigilantism must be condemned and those who have engaged in such acts must be punished to the fullest extent of the law," he said after Tuesday's verdict.

A lawyer for one of the four young men Mr Goetz shot in a subway car called the verdict "absolutely tragic" and good news for bigots, but the district attorney accepted the jury's decision and said it was not racist.

The four victims are black. Mr Goetz is white.

Mr Goetz shot the four young men during an alleged robbery attempt aboard a subway train in December 1984. The victims said they were begging for money to play video games they intended to burglarise.

Mr Goetz and his supporters - who include many blacks - denied that the shooting had to do with race. But his detractors - who include many whites - said he would have fired less quickly had his targets been white.

Mr Goetz, 39, was acquitted of attempted murder, but a jury convicted him of a felony for possessing an unlicensed revolver. He faces penalties ranging from no jail time at all to seven years in prison.

The legal system may have had its doubts about his shootings of the four young men he said were about to rob him, but the great majority of

New Yorkers and other Americans apparently did not share the prosecutors' scepticism.

When Current Affairs, a program on television, asked viewers last week to register their opinions on the Goetz case, 3,349 said he was guilty - and 32,018 said he was innocent, and should go free.

There was widespread interest in Mr Goetz's fate from the first reports of the shootings through the last days of his trial. At the court-house, more than 200 reporters, photographers and technicians awaited the verdict.

Nearly, street-wise entrepreneurs peddled t-shirts bearing the slogan, "he who takes, Goetz it."

In the end, even the jurors who acquitted him of attempted murder, assault, reckless endangerment and three of four weapons counts asked for his autograph.

Throughout the trial, Mr Goetz said nothing.

Brazilian stock markets greet austerity with surge

BY IVO DAWNEY IN RIO DE JANEIRO

BRAZIL'S financial institutions have responded euphorically to the austerity package of Mr Luiz Bresser Pereira, Finance Minister, introduced on Friday.

The stock markets surged by near record levels in hectic trading on Tuesday, with the Bovespa Index in São Paulo closing 21.5 per cent up. This rise was surpassed only at the imposition last year of the price freeze in the cruzado plan.

Expectations of lower inflation also forced down interest rates. The Central Bank led the reduction with a 10 per cent discount point cut in its monthly Letras do Banco Central instrument, 19.9 per cent a month. The IBC is viewed as a base rate by the private banking sector.

Despite the positive reaction in the markets and abroad, however, business people and trade unions were meeting yesterday to hammer out coherent responses to the package. Brazilian supermarkets have continued to mark up prices, officially frozen on Friday. In the absence of a new table of legal maximums.

São Paulo state's powerful employer federation, Fiesp, called on members to gauge reaction and seek clarification from the government on details of the price and wage freeze. Leaders of the left-wing union federation, the Central Unico dos Trabalhadores (Cut) were drawing up plans for a one-day national general strike to protest against lost real earnings and to demand a presidential election.

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WORLD TRADE NEWS

US oil import tax condemned by Gatt panel

By William Dullforce in Geneva

A REPORT from a dispute panel condemning a discriminatory US levy on oil imports was adopted yesterday by the Council of the General Agreement on Tariffs and Trade (Gatt). The council's approval puts the onus on the US to amend its Superfund Act.

Passed by Congress last October this imposed a two-tier levy on petroleum to help finance a \$90m hazardous-waste clean-up programme. Imports of petroleum and derivatives are taxed at 11.7 cents a barrel against 8.2 cents a barrel on domestic crude oil.

Complaints by the European Community, Canada and Mexico that this differential contravened Gatt's article III were upheld by the panel. The article stipulates that imports cannot be subjected to higher internal charges than those applied to domestic products.

Mr Mike Samuels, Deputy US Trade Negotiator, told the council that the US authorities would examine the panel's findings carefully. He said, no decision has yet been taken in Washington to introduce amending legislation. Previously, the US has complied with recommendations by the Gatt Council.

During the panel hearings, however, the US argued that the tax differential, equivalent to \$0.0002 a litre, was so insignificant when compared to daily changes in contract prices for oil, that its commercial effect would be minimal or nil.

It is thus just possible that the Reagan Administration may choose to let the three complainants seek Gatt approval to take retaliatory action. To secure approval, they would have to prove damage.

The EC and Canada had also complained about a tax on chemically-derived imported substances introduced in the Superfund Act. This would be applied from January, 1988.

Here the panel sided with the US, noting a statement by the US that the penalty rate would in all probability never be applied.

Nancy Dunne, a spokeswoman for the US Trade Representative, said the Administration has not yet decided whether or not to go to Congress to ask for a revocation of the oil import fee.

If injury is found to have occurred, then the US might choose to pay compensation.

Rolls-Royce wins £70m aero-engine contracts

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE has won orders worth up to £70m for its RB-211-535E4 engines for Boeing 757 twin-engined airliners from two airlines.

Air Europe, the UK scheduled and charter operator which recently announced an order for five more 757 jets, has selected the Rolls-Royce engine for those aircraft, in a deal worth more than £50m.

Air Europe was recently awarded a substantial network of short-haul scheduled service routes in Western Europe, which it will start flying later this year, and the new aircraft will be used on those routes.

International Lease Finance Corporation of the US, which recently ordered two new Boeing 757 airliners for delivery next year, has also specified the Rolls-Royce engine, in a deal worth an estimated £20m.

To date, of the 19 customers that have ordered the Boeing 757, 14 have chosen the Rolls-Royce engine (the rival engine is the US Pratt and Whitney PW-2037) and some further major contracts are now being discussed with potential 757 operators.

US, Norway in talks on Kongsberg

By Karen Fossl in Oslo

NORWEGIAN and US officials are planning to meet soon for discussions about the "damage done" by export of numerical control systems to the Soviet Union from Norway's industrial group, Kongsberg Vapenfabrikk (KV), a state secretary in the Prime Minister's office has confirmed.

KV is under investigation for violation of Cocom regulations in its co-operation with the Japanese industrial concern Toshiba in their joint venture export of advanced electronic equipment to a shipyard in Leningrad which fabricates submarines.

It is alleged that the technology export gives the Soviet

Union a considerable edge on current Western technology.

Sharp criticism has come from the US, and several congressional members have mounted a campaign to investigate the matter further. KV is currently vying for a position in the US Penguin defence missile programme and talks took place in early May between Norway and the US to defend KV's position.

Simultaneously, Norway's trade ministry proposes to tighten restrictions on the export of "strategic goods" to Communist bloc countries.

Trade Ministry officials would not be drawn on the suggestion that the new regulations stem

from the Kongsberg affair and pressure from the US to tighten export regulation.

A report was recently issued by a Norwegian Governmental working group which suggested specific changes to current export rules and regulations.

It is expected that a tightening on the issue of export licences will be made, and that control by customs authorities will be increased.

The Trade Ministry also intends to increase its administrative set-up to be able to enforce any new laws which may be implemented.

A proposition for increasing the legal sanctions against individuals and companies in viola-

tion of the export law is also expected.

Authorities in West Germany are also investigating the supply of advanced 20 mm firearms to Iran, from a company said to have used components supplied by Kongsberg.

● Nancy Dunne adds: The US Senate banking committee yesterday held hearings on the implications of the Toshiba-Kongsberg case.

Among those scheduled to be heard were Dr Paul Friedenberg, Assistant Secretary for Trade Administration in the Commerce Department, and Mr Steve Bryen, Pentagon Deputy Under-Secretary for Trade Security Policy.

Japanese may join US space programme

By Peter Bruce in Tokyo

THE JAPANESE may soon be making inroads into one of American technology's most jealously guarded fortresses—the US space programme.

Yesterday, Matsushita Electric, one of Japan's biggest consumer electronics groups, said it was close to striking a deal to make special semiconductors to be used in communications equipment for the National Aeronautics and Space Administration (Nasa).

It has also been confirmed that Matsushita Heavy Industries may soon begin exporting its LES rocket engine to McDonnell-Douglas, a prime builder of the Delta rocket which has carried most US satellites into orbit.

Matsushita produces equipment under the National Aeronautics and Space Administration's (Nasa) "Technology Transfer" programme. It said it would sign an agreement this month with TRW, an Ohio-based engineering and electronics group, to supply it with a microchip capable of controlling a powerful laser communications system that TRW is developing for Nasa.

The Japanese group built up experience with laser-related semiconductors by developing and producing compact and optic disc players.

European Court outlaws Italian car restrictions

By William Dawkins in Brussels

ITALIAN restrictions on parallel imports of cheap cars from other EC member-states were yesterday outlawed by the European Court of Justice.

The decision confirms an earlier court interim ruling against the Italian restrictions and is likely to strengthen a separate case being prepared by the European Commission against car import barriers being operated by the Spanish government.

Both moves are symptoms of the considerable barriers to free trade in cars that still exist between member-states despite the high political priority accorded by most of them to the creation of a genuinely free internal market.

The Italian restrictions arose three years ago in an attempt by the authorities to stop dealers re-importing cheap new Fiat originally sold in other member-states.

The main sources of supply were West Germany, Belgium, France and the Netherlands, where Italian cars could be bought for up to 30 per cent less than in Italy because of lower sales taxes.

These parallel imports

reached 80,000 units — including non-Fiat cars — in 1984 before the Italian authorities attempted to clamp down on the practice by refusing to recognise roadworthiness certificates issued in other EC countries.

The Commission successfully argued that this contravened EC rules against restrictions on imports between member-states. Officials point out that so-called parallel imports are one of the few ways of introducing price competition when all EC car makers are allowed to operate exclusive distributorships in their own countries.

The Brussels authorities have decided in principle to take legal action against Spain for operating similar restrictions to protect its own car industry from competition from cheap imports from less heavily taxed EC partners.

Spain has, under pressure from the Commission, dismantled several barriers to parallel car imports. But internal market authorities are still not satisfied with Madrid's continued insistence that imported cars should comply with all security and safety rules implemented in each member state.

France steps up drive to sell arms to Jakarta

By John Murray Brown in Jakarta

FRANCE is stepping up its sales pitch on arms to Indonesia, one of the key markets in the developing world.

A five-day visit to Jakarta this week by Gen Jean Saulnier, French Chief of Staff, is expected to cover a range of items from radar systems to the purchase of a new light tank.

At the same time Dr B. J. Habibie Indonesia's Minister for Research and Technology, is attending the International Paris Air Show.

France is still smarting from Indonesia's decision last year to buy the US F-16 supersonic fighter made by General Dynamics, in preference to Breguet Dassault's Mirage 2000, a deal worth \$537m.

France is reported to have offered to cover all costs by combined offset and counter-trade deals to meet Indonesia's current budget austerity.

Paris is now setting sights on a radar contract for Eastern Indonesia. The French company Thomson Csf supplied the western region with its TRS-2215 network but this time faces stiff competition from Plessey of the UK, on a contract worth

as much as \$120m over five years. Plessey hopes Indonesia will seek to diversify supplier.

Competition is also keen for the new light tank, with France out to replace its own AMX-13 built by Atelier de Construction Roanne, the model currently in use. Vickers of the UK is said to be offering its new FMC Mark 5 light tank.

Gen Saulnier yesterday visited the advanced flying school at Madiun and the shipyards at Surabaya. He also saw the Bandung factory of IPTN Indonesia's aerospace manufacturer, which assembles the Super Puma (NAS 332) helicopter under licence from Aérospatiale of France.

France is currently involved in a naval conversion of the Puma, highlighting again the importance of collaboration.

With a view to selling its net Hawk 200, British Aerospace, and Rolls Royce, which in 1985 sold 20 Hawk trainers, are now considering a similar joint venture with IPTN, so joining General Dynamics, Aérospatiale, Boeing, Messerschmitt and Cass of Spain in such joint ventures.

Control Data to build plants in Singapore

By Roger Matthews in Singapore

Control Data Corporation, the US computer and disc drive manufacturer, is to invest \$25m in establishing two plants in Singapore.

This will be the company's first manufacturing centre outside the US and Europe, and is intended to provide the base for a major expansion in South-East Asia and the Far East.

Initially, the company will produce in Singapore its Wren half-height disc memory units with a storage capacity of 51.5m bytes, and its high-performance 3.5 inch drive which is still under development.

Volume production is scheduled to begin early next year. Company executives said yesterday they expected that output of the 3.5 inch disk would eventually exceed 2,000 units a day.

Control Data also announced

that it would be building a second plant for the production of oxide media components.

Sweden and HK sign textile pact

SWEDEN and Hong Kong have signed a new five-year textile agreement, the Hong Kong Trade Department said, AP reports.

Under the agreement, restraints on Hong Kong exports to Sweden of track suits, shorts and corsets would be eased starting on September 1.

In addition, restraints would be removed on such items as overcoats and men's suits.

The current five-year agreement expires on August 31.



British Gas delivers

Yesterday, British Gas announced its first annual results since it became a public company — and there's good news for shareholders and customers alike.

Good news for shareholders: Despite a massive fall in oil prices in 1986, which intensified competition in industrial and commercial markets, and reduced turnover, British Gas succeeded in improving its profits significantly.

Contributing to this considerable achievement were such factors as our success in controlling and reducing costs; a colder than normal year, which increased gas sales; and the inherent strength and integrated nature of the company. Not least, performance was helped by the positive and dedicated efforts of our employees — almost all of whom, incidentally, are now shareholders themselves.

Results for Financial Year 1986/87

	£m	(down 1% on 1986)
Turnover	7610	
Operating	1005 (CCA)	(up 46% on 1986)
Profit	1244 (HCA)	(up 24% on 1986)
Profit before	1062 (CCA)	
Taxation	1293 (HCA)	
Earnings	575 (CCA)	
Share	806 (HCA)	
Earnings per	13.9p (CCA)	
Share	19.4p (HCA)	
Dividend (net)	4.0p	

The results and balance sheet shown in the advertisement have been audited from the audited accounts upon which the auditors have given an unqualified opinion. The audited accounts are included in the Annual Report and Accounts which will be delivered to the Registrar of Companies and distributed to shareholders in late July.

Good news for customers

For our record number of customers — now over 17 million — there's good news, too. British Gas intends to reduce tariff gas prices by an average of 4.5% from July 1st, reflecting the decrease in unit gas costs expected in the current year, and the passing on to customers of some of the savings achieved by rigorous and effective control of our other costs.

We believe customers and shareholders alike will approve of our fundamental business strategy — a commitment to success through service. It is our central belief that the growth and increasing profitability of the company can only be ensured by meeting customers' needs, and by continued and determined efforts to improve every aspect of the business.

British Gas
ENERGY IS OUR BUSINESS

SCHERING

Payment of Dividend

Schering Aktiengesellschaft
Berlin and Bergkamen

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 16th June, 1987 a Dividend for the year ended 31st December, 1986 will be paid, as from 18th June, 1987 at the rate of DM. 12.00 per share of DM. 50 nominal against presentation of Coupon No. 50.

All payments will be subject to a deduction of German Capital Yields Tax at 25%.
Coupons should be lodged with:-

S.G. WARBURG & CO. LTD.
Paying Agency, 6th Floor,
1 Finsbury Avenue,
London EC2M 2PA

from whom appropriate claim forms can be obtained.

Coupons will be paid at the rate of exchange on the day of presentation.

United Kingdom Income Tax will be deducted at the rate of 12% unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide shareholders or their agents with the appropriate form for such recovery.

18th June, 1987

Schering Aktiengesellschaft

Kinnock begins fight-back with demand for unity

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday signalled the start of his party's fight-back from general election defeat. He called on the 229-strong parliamentary Labour Party to unite behind him and immediately set in motion the election timetable to choose his leading parliamentary spokesman.

In a move designed to give Labour fresh, political momentum and to contain the influence of the new influx of left-wing MPs before it has time to consolidate support, Mr Kinnock intends to have his front-bench team in place within a month.

On July 1 Labour MPs will elect a new parliamentary manager. They will also decide on a replacement for Mr Jack Dorman, who retired at the election as chairman of the parliamentary party. That post is likely to be hotly contested.

Nominations are expected to include Mr Max Madden, a member of the hard-left Campaign group, Mr Bruce Millan, the former Scottish Secretary who may have Mr Kinnock's support, and Mr Stan Orme, a front-bench spokesman in the last parliament.

In a clear warning to his left wing to stay in line, Mr Kinnock yesterday

told the first meeting of the new parliamentary party that it must not be distracted from its objective of winning the next general election.

There would be a "frank and practical" assessment of the party's poor election performance - something which was better done "inside the movement rather than in front of TV cameras."

Emphasising the need for unity, Mr Kinnock said it did not require great sacrifices or the abandonment of principles, but he urged that "every word, every action, every statement of policy, everything that we do, is geared to victory."

His call for a more effective parliamentary performance was given a rousing reception by his colleagues although Mr Dennis Skinner, the left-wing MP, said it was a "cheek" for the party leader to talk of distractions when he had gone on television to discuss the implementation of one-member one-vote for the selection of constituency candidates.

This rule change, which the party leadership is determined to introduce, was again raised yesterday by Mr Ken Livingstone, the newly elected Labour MP for Brent East

Pay action dilemma for civil servants

By Charles Leadbeater, Labour Staff LEADERS of the two civil service unions involved in a rolling programme of regional industrial action over pay face stark choices after the Treasury decision not to increase its offer.

The breakdown of talks late on Tuesday night, after Mr Nigel Lawson, Chancellor of the Exchequer, insisted there would be no improvement in the 4.5 per cent pay offer made in April, means that the current programme of industrial action will continue.

However, it seems increasingly likely that the Civil and Public Services Association and the Society of Civil and Public Servants will find it difficult to agree a common strategy. The current industrial action, which will disrupt social security offices in Scotland today and tomorrow, is due to end in three weeks' time after further strikes in England.

The unions' executives will hold crucial meetings next week.

Mr John Ellis, CPSA general secretary, said there was growing support on the union's executive for an indefinite strike.

Mr Leslie Christie, general secretary of the SCPS, did not rule out the possibility of an indefinite strike.

Lower supply costs spur 36% rise in British Gas profit

BY MAX WILKINSON, RESOURCES EDITOR

THE NEWLY privatised British Gas yesterday announced a 36 per cent increase in pre-tax profits to £1.06bn and a 4.5 per cent reduction in gas prices to domestic consumers.

The sharp rise in profits, which took the City of London by surprise, and the cut in tariffs both reflect the fall in the cost of the corporation's supplies of gas from North Sea fields after the halving of crude oil prices last year.

In its first annual results statement since it became a private company in December, British Gas reveals that the cost of its supplies from the North Sea fell by an average of 11 per cent last year, excluding the gas levy paid to the Government.

However, the corporation was not obliged to pass all of this fall on to its customers because the regulatory formula governing its tariffs did not take effect until its flotation. The 4.5 per cent cut in tariffs will take effect from July 1 and reflects the expected level of its gas cost in the current year as well as the expected rate of inflation.

Under the price devised by the Government, British Gas is expected to pass on to consumers any rise (or fall) in the cost of its supplies. However, any rise in the remaining element of the tariff (the administration and transport) is limited to 2 percentage points below the inflation rate. This formula does not apply to large industrial and commercial consumers.

Yesterday, Sir Denis Rooke, British Gas chairman, said the cut in tariffs was larger than the formula would have yielded from the corporation's current estimates of the likely inflation rate and movement in gas costs this year. In view of the "great run" which followed British Telecom's restructuring of its tariffs after privatisation, British Gas wanted to be cautious.

If the profit figure were adjusted to exclude the servicing of the £2.5bn of debt which the Government introduced into the corporation's balance sheet last year, the increase in pre-tax profit would have been 60 per cent, he said. The corporation chose to repay £750m of the debt this year.

Lex, Page 14

Home loan rates cut

BY HUGO DIXON

BRITAIN'S two largest building societies, the Halifax and the Abbey National, yesterday unexpectedly cut their mortgage rate for new borrowers from 11.25 per cent to 10.8 per cent and 10.5 per cent, respectively.

However, the Nationwide, the third-largest society, said it would not follow suit saying that it could not understand why the cuts had been made.

The moves took the industry by surprise because base rates have been stable at 9 per cent since May 9. Societies have also been finding it difficult to raise enough money from retail investors this year to satisfy buoyant mortgage demand. A cut in mortgage rates is likely to exacerbate this problem.

Both the Halifax and the Abbey justified their decision by saying that, when they set the rate at 11.25 per cent in March, they were expecting a base rate of 9.5 per cent. The decision to reduce mortgage rates to take account of a 9 per cent base rate had been delayed by the uncertainty introduced by the general election.

Both societies also made clear that process of adjustment was far from complete. The Halifax described its 10.8 per cent rate as a "half-way house."

The May funding figures, which are published later this week, are expected to show that the industry attracted only £500m net from the retail savings market down from £727m in April. The figure is expected to fall to £300m for June.

ICL aims at mainframe computer market

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

ICL, the leading UK-owned computer company, yesterday unveiled plans for increasing its market share in the UK and Western Europe with a range of new products that will include an ultra high-powered mainframe.

The company claimed that in the last two years it has halted and reversed the slide in its market share of the large computer market in Britain, which is currently expanding at an annual rate of about 15 per cent.

Its share in this period has gone up by about 2 percentage points, the company said, and is now standing at about 20 per cent in the range of machines sold at between £150,000 and £1.5m.

Although ICL has been putting increasing emphasis in recent years on the non-mainframe areas of its operations, the large computer sector nevertheless continues to dominate its business, generating about half of its turnover of £1.2bn.

Its aim in launching the new range is to increase the power available at the lower end of the Series 30 product range, first introduced in April 1985. At the top end of the same series, it is working on a machine, code-named Essex, which will become available in 1990.

ICL said it is already discussing customer requirements for the Essex processor, which will be designed to satisfy the rapidly-increasing demand for power among the largest mainframe users. The company estimates that this is currently growing at about 40 per cent a year.

Lower down the Series 30 range, ICL is introducing four models for which it claims a 40 per cent improvement in performance. The company believes that these products will help persuade more of the customers for its mid-range ME29 range of computers to change to the group's larger products when their data processing requirements expand.

The System 39 range is based on semiconductor technology supplied by Fujitsu, the Japanese electronics and computer group.

ICL's present licensing agreement with Fujitsu, which is collaborating closely on the development of the technology for the new products, runs out in 1991, but the two companies are expected to renegotiate the contract.

OBITUARY

Sir Walter Salomon

SIR WALTER Salomon, who has died aged 81, was a merchant banker who proudly quoted Mrs Thatcher's description of him as "a sergeant-major of the awkward squad."

German by birth, Sir Walter was a disciple of Professor Friedrich von Hayek, the laissez-faire economist. He was apt to use the annual general meetings of his bank, Rea Brothers, as a platform for expounding his own robustly conservative views.

In speeches sprinkled with quotations from Hayek, Plato and even the French writer Andre Gide, Sir Walter condemned such developments as the 1980 Banking Act and the Gower Report on investor protection as dangerous examples of bureaucratic interference with the freedom of the market-place.

A frequent writer of letters to the Financial Times, he also advocated the abolition of the Department of Trade and Industry. He was a life-long believer that unsound monetary policies would lead inevitably to social chaos and dictatorship and gave evidence to that effect to the 1957 Radcliffe Committee.

His own last years were slightly clouded, however, by the involvement of Rea Brothers with Amsterdamse Crediet-en Handelsbank (Amcrediet), a Dutch bank.

Before relinquishing the chair of Rea Brothers in 1984, Sir Walter had steered the bank into a holding

in Amcrediet. Amcrediet's heavy losses proved to be a severe drain on Rea Brothers and eventually exhausted its inner reserves, before the British bank was reorganised last year.

Also late in his career, at the age of 77, Sir Walter became involved in another controversial affair when as chairman of Canal-Randolph, a US property company, he fought a bitter proxy battle against Mr Asher Edelman, an arbitrator.

Born in Hamburg into a banking family, Sir Walter came to Britain in 1937 as a refugee and by 1950 had become chairman of Rea Brothers.

A keen yachtsman, he was also the founder and treasurer of Young Enterprise, a body set up to help young people form their own companies. His other City of London connections included membership of Lloyd's and of the Baltic Exchange.

In describing his career, he liked to compare himself with another European financier, Sir Siegmund Warburg, as an entrepreneurial banker who chose London as the best field for his endeavours.

the secret diary of a computer company

1986-87

APRIL MOMENTUM 10000 LAUNCH
Before an audience of over five hundred customers at the Mermaid Theatre, I.T.L. launches its new high performance fault-tolerant supermini computer.

MAY GOVERNMENT ORDERS MOMENTUM FOR CIVIL SERVICE ELECTRONIC MAIL SERVICE
I.T.L. Momentum with I.T.L.X-400 Electronic mail software is selected by the Government's Central Computer and Telecommunications Agency to provide an inter departmental electronic mail (IDEM) system for Government.

JUNE DELIVERY OF 500TH NFS TO ICL
After many years supplying network processing systems to ICL on an OEM basis, providing their mainframes with a powerful front-end communication processor, ICL take delivery of their 500th system from I.T.L.

JULY DHSS LOCAL OFFICES CHOOSE MOMENTUM
I.T.L. Momentum computers are chosen to equip all five hundred social security offices providing a communication link between the office terminals and mainframes at DHSS computer centres. The prime contractor for this project is British Telecom with whom I.T.L. collaborated in the competitive phases against intense competition.

AUGUST NEW HEADQUARTERS OPENED
I.T.L.'s success and expansion results in a new 51,000 sq ft modern office and technical complex in Hemel Hempstead.

SEPTEMBER MIDLAND MONTAGU ORDERS CABLESTREAM
The Midland Montagu's new HQ building in Billingham requires a flexible communications system for the dealing room. I.T.L. Cablestream is selected for its versatility and cost effectiveness.

OCTOBER CITY MARKET MAKERS GO LIVE WITH MOMENTUM
October 27, 'Big Bang' day when the financial services industry was deregulated stimulating the widespread introduction of technology to provide a competitive advantage and superior client service. I.T.L. Momentum with NMW/Timon software provides market-making and portfolio management systems.

NOVEMBER BRITCOIL CABLESTREAM NETWORK GOES LIVE
The major Cablestream network installed in Britain's new Glasgow office provides a flexible network system to support the wide range of computer services used throughout the building.

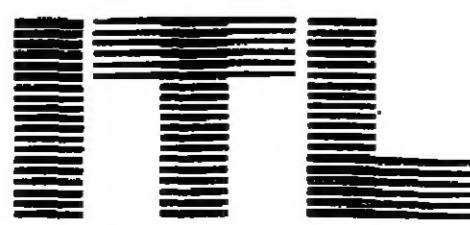
DECEMBER BRITISH AEROSPACE ORDERS CABLESTREAM
British Aerospace Air Weapons Division, after extensive evaluation of a pilot installation and the benefits offered, make a major strategic commitment to I.T.L. Cablestream broadband network technology and the secure network management system provided by Momentum.

JANUARY FORD INSTALLS CABLESTREAM
Having committed the major investment in the new engine plant at Dagenham, Ford had to determine the appropriate information technology infrastructure. Yet again I.T.L. Cablestream proves to be the solution to the level of service required in a highly productive modern manufacturing environment.

FEBRUARY REME EXPANDS USE OF MOMENTUM
Project Arrow is the Royal Electrical and Mechanical Engineers project to equip their workshops with on-line transaction processing computers to schedule repairs and the supply of spares. Following the turnkey contract awarded to I.T.L. in March 1986 to install Momentum and Cablestream in the workshops of BAOR, REME expands the use of Momentum in the UK workshops.

MARCH TWENTY-FIRST YEAR RECORD PROFITS UP 75%
I.T.L. ends its 21st year with record turnover (£32,103,000), order book and record profits up 75% on the prior year (Profit before taxation £2,569,000); excellent reason for celebrating our 21st birthday!

I.T.L. is Britain's leader in fault-tolerant, secure, and data communications computer systems including broadband corporate networks.

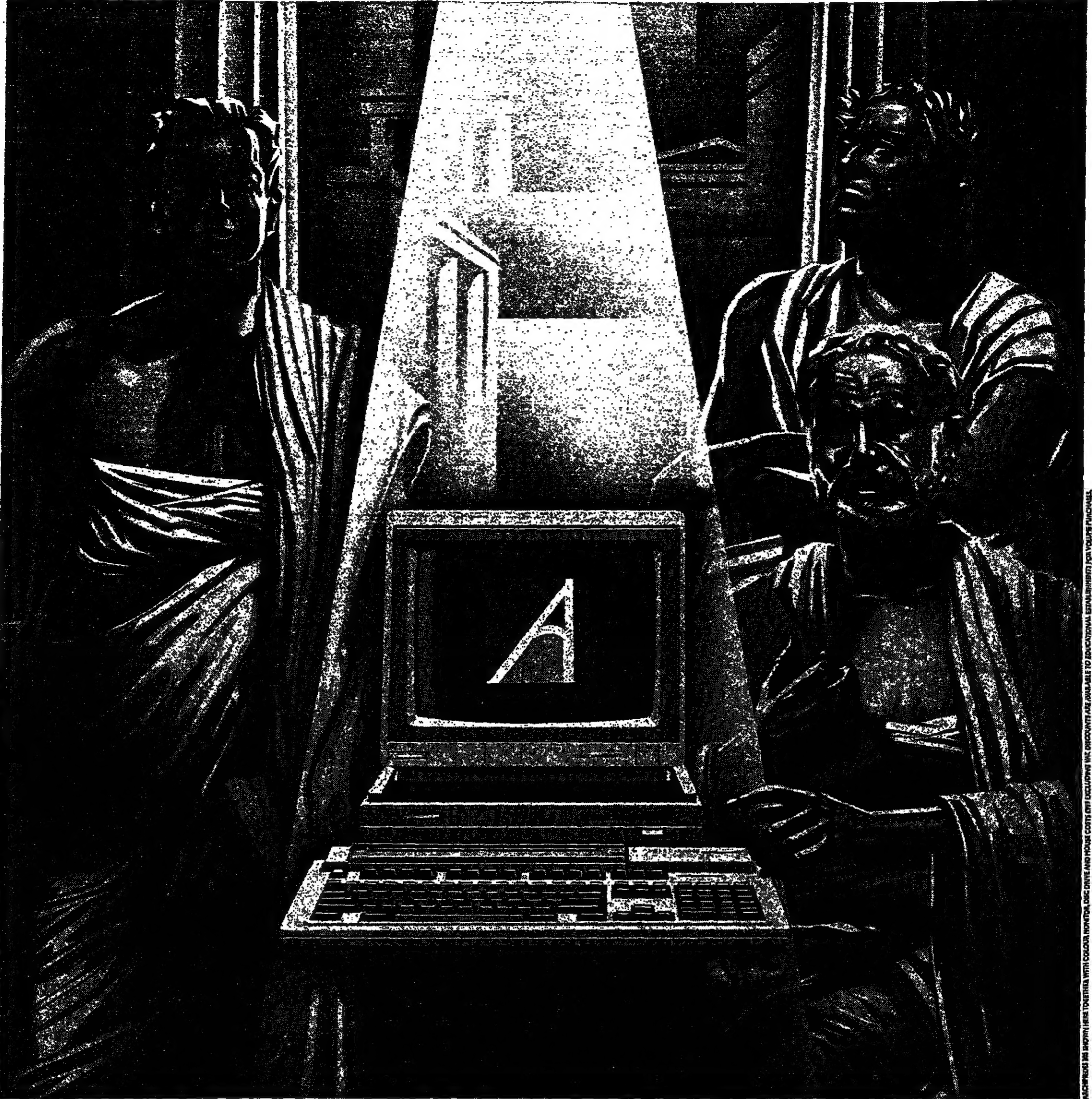


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A BRITISH BROADCASTING CORPORATION MICROCOMPUTER



▷ Acorn are proud to announce the fastest micros in the world ▷ The Archimedes High Performance Computer Systems ▷ Using a 32 bit RISC chip, Archimedes represents a breakthrough in microprocessing technology allowing a new order of magnitude in power ▷ Power to run programs in BBC Basic that outperform those in assembler code on rival machines ▷ Power to deliver 6502 and MS-DOS* emulation and high level languages such as C and FORTRAN ▷ Power to provide sound of digital stereo quality and graphics that have to be seen to be believed ▷ The Archimedes High Performance Computer Systems start at £799 excluding VAT ▷ To find out more ask your dealer or ring 01-200 0200 for an information pack ◀ **Acorn** The choice of experience

NEW PCW BENCHMARKS FOR INTERPRETED BASIC											
MACHINE	LANE	INT8086	INT8087	INT8088	INT8089	INT8090	INT8091	INT8092	INT8093	INT8094	INT8095
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INT8206	0.26	0.28	1.05	4.31	6.5						
INT8207	0.26	0.28	1.05	4.31	6.5						
INT8208	0.26	0.28	1.05	4.31	6.5						
INT8209	0.26	0.28	1.05	4.31	6.5						
INT8210	0.26	0.28	1.05	4.31	6.5						
INT8211	0.26	0.28	1.05	4.31	6.5						
INT8212	0.26	0.28	1.05	4.31	6.5						
INT8213	0.26	0.28	1.05	4.31	6.5						
INT8214	0.26	0.28	1.05	4.31	6.5						
INT8215	0.26	0.28	1.05	4.31	6.5						
INT8216	0.26	0.28	1.05	4.31	6.5						
INT8217	0.26	0.28	1.05	4.31	6.5						
INT8218	0.26	0.28	1.05	4.31	6.5						
INT8219	0.26	0.28	1.05	4.31	6.5						
INT8220	0.26	0.28	1.05	4.31	6.5						
INT8221	0.26	0.28	1.05	4.31	6.5						
INT8222	0.26	0.28	1.05	4.31	6.5						
INT8223	0.26	0.28	1.05	4.31	6.5						
INT8224	0.26	0.28	1.05	4.31	6.5						
INT8225	0.26	0.28	1.05	4.31	6.5						
INT8226	0.26	0.28	1.05	4.31	6.5						
INT8227	0.26	0.28	1.05	4.31	6.5						
INT8228	0.26	0.28	1.05	4.31	6.5						
INT8229	0.26	0.28	1.05	4.31	6.5						
INT8230	0.26	0.28	1.05	4.31	6.5						
INT8231	0.26	0.28	1.05	4.31	6.5						
INT8232	0.26	0.28	1.05	4.31	6.5						
INT8233	0.26	0.28	1.05	4.31	6.5						
INT8234	0.26	0.28	1.05	4.31	6.5						
INT8235	0.26	0.28	1.05	4.31	6.5						
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UK NEWS

ATTENDANCE RECORD REINFORCES CAR COMPANY'S EMPLOYMENT POLICIES

Nissan cuts rate of absenteeism

BY DAVID BRINDLE, LABOUR CORRESPONDENT

NISSAN says absenteeism among workers at its UK car plant is running at less than 3 per cent - far lower than the British average - and is a clear vindication of the company's employment policies.

The motor manufacturer says it set what it considered an ambitious target of no more than 4 per cent absenteeism at the Washington, Tyne and Wear, plant in north-east England. But this has been easily bettered in spite of the fact that all employees are on guaranteed salaries.

Mr Peter Wickens, Nissan's personnel director, told industrial journalists visiting the plant this week: "Attendance is all to do with motivation and very little to do with sickness."

The plant at present employs 680 workers although this total is scheduled to double within the next 12 months and rise to 2,700 by 1991. The company says total absenteeism has settled at 3 per cent since production began last year.

However, this figure includes "available" holidays - that is, the eight days a year each employee is able to take at will in addition to 17 set days.

The true claimed absence figure of less than 3 per cent, therefore, compares with an average 7 per cent given in the latest (1984) General Household Survey both for the metal goods, engineering and vehicle sector and for the 25-34 age group - the average age of Nissan's workers being 27.

These GHS figures exclude absence through strikes, short-time or lay-offs, but include absence for "personal and other reasons" as well as sickness and injury.

A survey conducted for the Industrial Society in 1984-85 produced a mean sickness rate for industry as

a whole of 4.6 per cent, but a rate for the north-east of 5 per cent.

Mr Wickens said: "The calibre of labour we have working in this plant would rate as good, if not better, than any other anywhere in the UK - if not in Europe."

Nissan is engaged in recruiting more than 300 more manufacturing employees and expects between 4,000 and 5,000 applications. Of existing employees, the company says about 25 per cent came directly from the unemployment register, compared with what it believes is an average of 10 per cent for companies setting up from scratch.

Academics criticise plan for poll tax

By Richard Evans

A STRONGLY critical assessment of the Government's proposal to replace domestic rates with a community charge, or poll tax, is made today by an independent group of Oxford University economists.

In the latest Oxford Review of Economic Policy it is argued that it is undesirable to abandon domestic rates, which are economical and play an important role as a tax on housing consumption, in favour of a poll tax.

The assessment, which follows a series of similar judgments by academics, comes as the Government is preparing to introduce a rates reform Bill as a major piece of legislation in the first session of the new Parliament. The Bill will propose the substitution of domestic rates by a community charge payable by every adult over 18, and the introduction of a uniform business rate.

The authors conclude that there is no overwhelming case for replacing domestic rates with either a poll tax, as favoured by the Government, or with a local income tax, as favoured by the Alliance.

Oxford Review of Economic Policy, Summer, 1987. Decentralisation and Local Government. Oxford University Press

Police service put under costs scrutiny

BY ALAN PIKE, SOCIAL SERVICES CORRESPONDENT

SENIOR POLICE officers and local authority representatives are studying ways of improving the cost-effectiveness of Britain's police services.

Police forces have been under increasing government pressure to introduce procedures by which their financial effectiveness can be measured, and value for money is the theme of this year's Association of Chief Police Officers conference in Blackpool.

Chief constables and local police authority leaders are discussing the issue against a background of ris-

ing crime figures and demands from many forces for large increases in manpower.

Mr David Phillips, Assistant Chief Constable of Greater Manchester, challenged the extent to which conventional performance measurements - "an easy notion if you are a manufacturer" - could be applied to the police. It was not easy to establish performance indicators, he said.

But the pressure to improve performance had led to the adoption of policing by objectives, with police forces taking a reduction in crime

levels and public nuisance and re-turning to foot patrols as their objectives. At a statistical level the police could not claim to have achieved very much.

"We have argued for more resources with the half promise that, if we get the resources, we will reduce crime rates," said Mr Phillips.

"The crime statistics have set off an annual debate about the effectiveness of the police like the unemployment figures and inflation figures."

Michael Dixon writes: Radical

and imaginative action to stop British prisons from being "universities" for the promotion of crime were urged on the Government by an official report published yesterday.

"It would appear that society is now the victim of a spiral where the rise in the number of offences is followed by a rise in the prison population which is followed by a rise in the number of offences," says the report, compiled by the last parliament's House of Commons committee on education, science and the arts.

Out-of-town stores hit by restrictions on best locations

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE DEVELOPMENT of out-of-town shopping in the UK was not proceeding as smoothly as many retailers and developers would like. Costly stores were being opened in less-than-perfect sites, Mr Russell Schiller, head of research at Hillier Parker May and Rowden, the retail property specialist, said in London yesterday.

One problem, he told the Financial Times retailing conference, was that the Government permitted development but was not prepared to help provide sites or the means to develop them in their optimal form.

The result could be the blighting of town centres - as customers were drawn away - and the construction of out-of-town facilities which did not fulfil customers' needs, he said. "We are at the peak of a boom. There are major decisions to be taken, and the boom is the best time to make them rather than waiting for the slump," Mr Schiller added.

He was particularly worried about retailers' eagerness to move in around the M25 orbital motorway circling London. Choice positions were not freely available because much of the road passed through greenbelt land. "The result is that we get retail developments in odd locations," he said.

Position was vital for retailers. In a town centre a matter of a few yards in location could make all the difference between success and failure, he said, suggesting the same could apply out of town.

Mr Alister Grant, chief executive of Argyle Group, highlighted the "dauntingly high" profits needed to justify the opening of a superstore.

British multiple grocery retailers were increasingly focusing on the superstore format, often built on the edge of towns or in out-of-town shopping centres.

A freehold 45,000 sq ft superstore now costs about £17m, made up of £10m for the site, £4m for buildings and £3m for fittings and equipment, Mr Grant said. To attain the target 30 per cent return on investment, on net margins of some 8 per cent, annual turnover had to hit £12.5m a week.

Allowing for the weekend surge of business, with 30 per cent of sales concentrated on Friday, such a store was required to turn over £275,000 in one day. Each car park

space would then be used 12 times a day.

Mr Greville Cater, director of Barclays de Zoete Wedd Research, pointed out that the "dash" to develop superstores might be explained partly by the need to make pre-emptive strikes.

"Given the huge cost of developing these units, it can only be described as folly to open one in an area that is already well served by an effective competitor with such a store in a good location. The important point is to be there first."

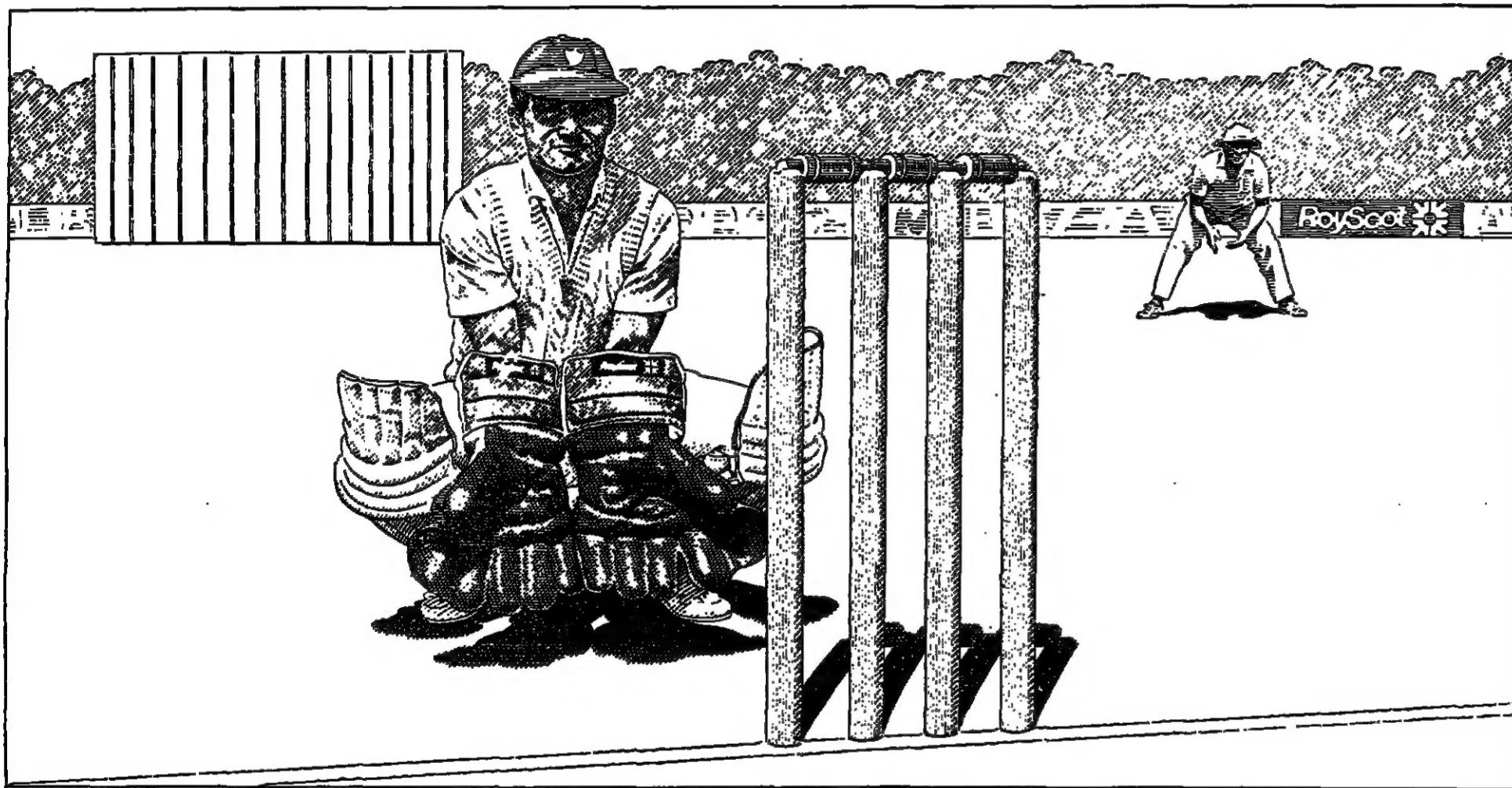
It was quite common for a large retailer to establish a presence in an area, effectively shutting out the competition, and relocating later when local conditions permitted.

In spite of the general move out of town by the large multiples, the high street shopping centre was not necessarily doomed. The presence of Marks and Spencer in the high street would continue to draw people into the traditional shopping environment, Mr Schiller noted.

Wherever they shop consumers appeared to favour the introduction of electronic systems, according to Mr Alan Wolfe, director of marketing services at Ogilvy and Mather. He said 60 per cent of shoppers preferred scanner-equipped checkouts. Only 3 per cent favoured traditional methods.

Retailers were appreciating the advantages, and installation of electronic point-of-sale equipment was speeding up, he said.

Benefits included cost-savings through faster checkouts, faster shelf-filling, reduced shrinkage and reduced paperwork. Greatest of all was the ability to assess precisely the profitability of each item on the shelves.



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UK NEWS

Call to optimise recovery of North Sea oil

BY MAX WILKINSON, RESOURCES EDITOR

THE GOVERNMENT should do more to ensure that North Sea oil and gas tax rates encourage the maximum pace of development while prices are depressed, says a parliamentary report published yesterday.

The report from the all-party energy select committee says, however, that the Government has been right to resist proposals which would subsidise the development programmes of oil companies operating in the North Sea.

It says that the upper limit for tax reliefs should be one which made post and pre-tax rates of return equal. Although the committee does not envisage scope for dramatic changes in the oil taxation system, it believes the Government should create a "positive atmosphere" by, among other things, "sensitivity" in the fiscal regime.

It says the present provisions for encouraging maximum production towards the end of the lives of existing fields is unsatisfactory.

Under present laws, the Government has discretion to remit royalty payments where the premature abandonment of a field is threatened. However, the committee says there is much uncertainty about the circumstances under which this might be done.

It says: "We recommend that the Government publish guidelines, preferably in the form of a formula, clearly indicating the conditions under which royalty refunds would be given to prevent the premature abandonment of fields."

It also says the Government could do more to encourage incremental investments in existing fields which might be unprofitable under present tax systems but could become profitable without tax liabilities.

The report says: "The present situation is unsatisfactory. The Government's agreement merely to keep the system under review maintains the uncertainties and is not conducive to facilitating investments which might be necessary to optimise recovery of the North Sea oil."

It also suggests that research and development expenditures should be given immediate relief against

petroleum revenues tax. The Government is urged to commission a survey on the scope for cost-reducing innovations in the next few years.

The committee is worried that the depressed rate of activity in the North Sea will weaken the British offshore supplies industry so much that it will be unable to take advantage of a resurgence of activity if oil prices recover in the next few years.

It says the Government should do everything it can to encourage the development of British offshore technology. It adds that the Department of Energy's Offshore Supplies Office should actively investigate claims that foreign governments directly or indirectly subsidise their industries which compete for contracts in the UK continental shelf.

The committee opposes protectionism in the UK sector but says: "The issue of access given to British offshore markets should be used as a bargaining lever in any discussions on protectionism in foreign markets."

A memorandum from the Government published with the report says that oil companies surveyed expect the price of North Sea crude to rise gently in the next five years within a range of from \$12 to \$25 a barrel by 1992 in current price terms.

A memorandum by Shell UK suggests that some 30 per cent of the total UK sector reserves have been produced with a further 35 per cent remaining in fields already developed. It puts total reserves including 20m barrels of undiscovered oil at 23.1m barrels. Of this 5.2m barrels, or 23 per cent of the total, is in discovered fields which remain to be developed.

At present, it says, 33 fields are in production with a further six under development. More than 50 further significant discoveries have been made. However, the average size of the newer fields will be much smaller. Many will have fewer than 50m barrels compared with an average of 300m barrels for the fields now developed.

The effect of oil and gas prices on activity in the North Sea. Third Report from the Energy Committee Session 1986-87, HMSO £12.90.

Lawson dismisses idea of credit boom danger

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday sought to dismiss suggestions that recent growth in the economy was based on a "credit-based consumer boom" which held out inflationary dangers for the future.

In a speech at the annual dinner of the Finance Houses Association, Mr Lawson said that contrary to "popular mythology" the increase in personal borrowing as a proportion of national income in the 1980s has been entirely due to the growth of mortgage borrowing.

Consumer credit, as commonly understood, represented only 15 per cent of total personal sector debt and, if anything, the proportion had fallen slightly. Within that figure only 5 per cent of lending took the form of credit card debt, with industry estimates suggesting that 40 per cent of holders of Access and Barclaycards used them as charge rather than credit cards.

Mr Lawson, whose assessment of the implications of rising consumer

credit appears more sanguine than that of the Bank of England, said that there should be little surprise that personal sector debt had risen faster than income. In any event the ratio of personal sector debt to income, at 78 per cent in 1986, was still well below the equivalent 93 per cent in the US.

At the same time an increase in the debt-income ratio was not likely to be inflationary as long as it was matched by increased holdings of financial assets. That was, in fact, what had happened in Britain. Both sides of the personal sector's balance sheet had been increased.

The Government would continue to monitor credit developments in assessing the overall stance of monetary policy, but its weapon in dampening any inflationary pressures would be interest rates rather than quantitative controls on credit. The latter would create damaging distortions without influencing monetary conditions, he said.

Warburg to expand with Isle of Man business

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

S. G. WARBURG, the merchant banking group, is to expand its offshore investment management business with a full-service office on the Isle of Man. The initial staff of 10 is expected to double in 18 months.

Warburg already acts as a fund manager for the Isle of Man Government, but from London. It has about £150m of Manx funds under management, but the scale of this can be judged by comparison with its main offshore base on Jersey, where it manages £1.7bn of funds.

However, expansion on Jersey is limited by overcrowding and the difficulty of getting work permits for specialist staff. The Isle of Man has, by contrast, been exploiting its room for growth, as well as its welcoming approach towards qualified

immigrants who are likely to bring in or create new jobs.

This has encouraged rapid growth in the financial services sector and a business climate which Warburg has found attractive. The group yesterday cited expansion of the captive insurance sector on the island as one factor for setting up there, together with the inability of its hard-pressed Jersey operations to cope with continuing growth in its global investment management business.

The new company will be called Warburg Investment Management (Isle of Man) and will be headed by Mr Barry Beale, who will be moving to the island with his family this summer. A computer network will link the island office with London and Jersey.

Safety needs will mean delays this summer, says aviation body

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

DELAYS to flights at UK airports are inevitable during peak periods this summer because of the need to ensure safety in increasingly congested air space.

Mr Christopher Tugendhat, chairman of the Civil Aviation Authority, told the Tour Operators Study Group in London yesterday that "the unprecedented increases in traffic which we are facing this summer (up by 23 to 25 per cent in some areas in peak periods) has led the CAA to introduce flow control."

"This is a strategy which has been followed for many years by other European countries and by the US," Mr Tugendhat said. "This means that at peak periods we are restricting traffic to what can be handled safely."

"Inevitably and regrettably, this will lead to some delays in flights, but the CAA is determined that our controllers and the system generally should not be overburdened and that safety standards should be maintained."

Mr Tugendhat also highlighted other measures being taken by the CAA to improve safety in UK air traffic control.

"For some years we have been investing large sums - £125m (£304m) over the last five years - to update the equipment."

"This covers radars, navigational aids and a new computer for the Oceanic Air Traffic Control Centre (looking after North Atlantic traffic), which includes for the first time in this country a facility for predicting potential conflicts."

Over the next five years we are to spend a further £200m, which includes among many other things, a new computer at the London Air Traffic Control Centre, which we shall need in a few years time as the traffic approaches the limits of our present computer. Design studies for this new computer are well under way."

Mr Tugendhat said that the CAA recognised the difficult task facing controllers "and I can assure you that the management has taken very seriously their particular problems."

"Negotiations towards a settlement on working practices, which has been the cause of so much uncertainty among controllers over recent years, are well advanced."

BA to fly Concorde to Barbados

BY OUR AEROSPACE CORRESPONDENT

BRITISH AIRWAYS, which already flies regular scheduled Concorde services to New York, Washington and Miami, will add Barbados to the route network next winter for a limited period.

From December 12 to the end of March, Concorde will make a series of weekend flights to Barbados, subject to Barbados government approval flying via Shannon in Ireland, where it will top up with fuel

before flying non-stop across the Atlantic.

The outbound flight will take about six hours and the return flight about four-and-a-quarter hours, knocking some four-and-three-quarter hours off the subsonic journey.

Fares will be £1,313 single and £1,628 return.

In addition, BA will be increasing

the number of Jumbo 747 flights to Barbados from Gatwick and Manchester during the winter.

Mr Jim Harris, BA's director of marketing, said that the proven popularity of Barbados as a holiday resort during the winter months, linked with the outstanding appeal of Concorde, "has prompted us to put these two attractions together to provide an unbeatable package."

"I'm helping the Police with their enquiries"

Howard Wilson, Unisys Sales Manager for the North of England

Within Unisys, Howard's special responsibility is for the Merseyside Police Force. Over the last five years, he has gained vital experience of police methods and requirements, which makes his advice invaluable.

Since 1982, Merseyside have been running a Unisys Command & Control Computer system. Deputy Chief Constable John Burrow OBE, calls it "The operational backbone of the force." Linked to the Unisys Police National Computer Unit at Hendon, vital information is kept on everything from stolen vehicles to burglaries.

All information is available instantly on a system that must never go down.

Howard works closely with

the police, thus ensuring that their needs are continuously met.

In 1986 they decided more computing power was needed. Howard and his team helped run a planning exercise to predict future requirements and install the new computers. All without disturbing the existing systems.

Increased computing power means increased efficiency, and the Merseyside Police can now operate with even greater speed and control.

Merseyside acknowledge that Unisys is totally committed to their business. For the expert advice and quality tailored solutions. And as for future systems, Howard and his team are now "helping the police with their enquiries."

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TECHNOLOGY

Oxford Instrument's mini atom-smasher looks set to become an indispensable tool in the manufacture of tomorrow's superchips

The magnetic pull of grand alliances

By Jane Rippeteau

IN A brown-faced building by a masonry yard on the edge of Oxford, three scientists huddled in a basement room are working on a piece of the future.

The team, at Oxford Instruments Group, is building a synchrotron—a sort of race track for electrons—commissioned by the International Business Machines Corp. for manufacturing extremely high-density semiconductor chips, ones that may surpass by many times the capacity of today's top chips storing a million bits of information.

Japanese competitors are struggling to develop the same technology, but Oxford's synchrotron is the first so far announced that will be powered by electro-magnets made of superconducting materials—ones which transmit electricity with almost no loss of power—instead of by conventional magnets. When the machine is installed at IBM in 1990, it is to measure just 6 ft by 15 ft, a fraction of the playing field-sized machines now in use.

Oxford was picked by IBM to develop the machine because of its expertise and experience in superconducting magnet technology. The magnets Oxford will use are of the same type it already employs in its core business: the supply of superconducting magnets that form the heart of nuclear magnetic resonance, or NMR, scanners widely used in medical diagnostics.

But that core business and the very nature of Oxford's superconducting technology is poised for dramatic change because of recent rapid discoveries of a completely new family of more efficient superconductors. Indeed, Oxford's synchrotron researchers can suddenly foresee a day when the performance could be enhanced and costs reduced on the very machine they are building.

Oxford is negotiating to expand its relationship with IBM as part of a strategy to keep

itself at the forefront of the new superconductor developments.

The company has recently approved expenditures of about \$1m to establish industrial liaisons, including one with IBM, another with Rutgers University in the US and a third effort aimed at promoting a co-ordinated government-industry offensive in the UK, according to Paul N. Winslow, Oxford's business development director.

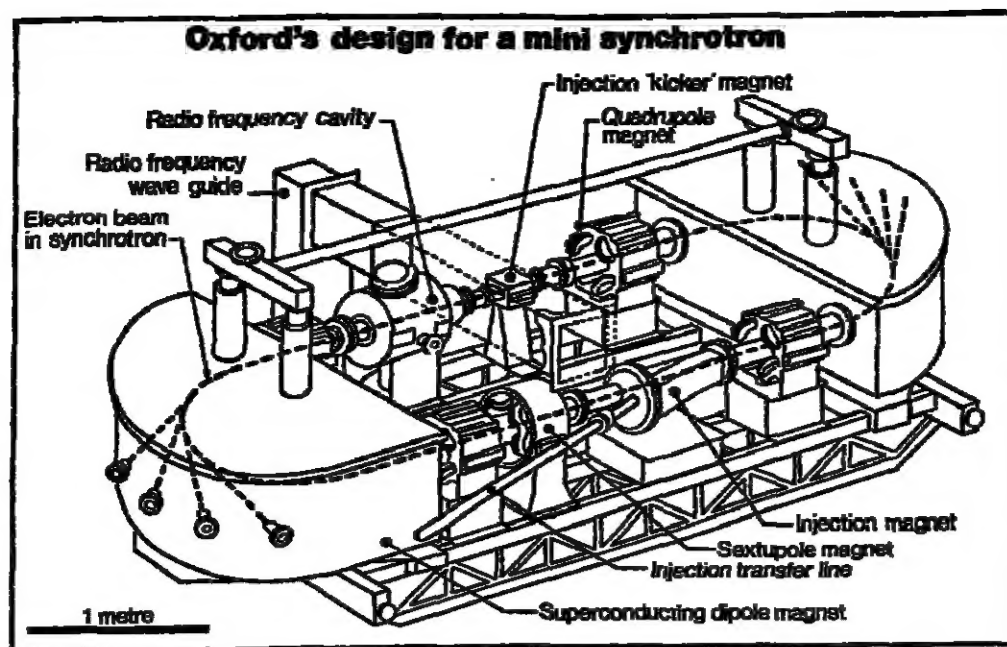
Oxford Instruments does not itself manufacture superconducting materials. But as the world's top independent supplier of the NMR magnets, it is a major consumer of the materials.

Superconducting wire is the key component of the NMR magnets. With the strong magnetic fields that they generate, scanners can help doctors distinguish between healthy tissue and malignant tumours, and to diagnose other medical problems without invading the body.

Oxford executives do not want to get left behind on a technology that promises to change the economics of their business, and possibly open whole new markets. Although Oxford has a wide product line including analytical instruments, measuring devices and ion-etching tools used in semiconductor manufacture, it relies heavily on magnet sales. Company executives report that NMR magnets accounted for half of Oxford's \$100m turnover in the year to March 29 1987 and for nearly half of profits.

Superconducting materials in use today work only when cooled nearly to absolute zero. The recent discoveries revealed that some metals that will do the same thing but at higher temperatures which are cheaper to create and maintain.

This could have a major effect on the market for NMR scanners, which not only cost some \$2m to buy, but can require special installation and



maintenance running from \$100,000 to \$1m, according to analysts at Robert Fleming Securities.

As nearly all top hospitals have purchased such machines, Oxford's core market has flattened out, restricting profits. Also, at twice the price of their rival product, computer-aided tomography or CAT, scanners, any new technology reducing the expense of NMR machines is crucial to Oxford. The new superconductors, says Winslow, would not only make NMR machines cheaper to buy, but also far less expensive to operate, because the magnets would not have to be kept in a constantly-refrigerated bath of the costly liquid helium that keeps them cold.

Rapid discoveries

There is another benefit, says Praveen Chaudhri, vice-president for science at IBM's Research Division in Yorktown Heights, New York. The attraction of the new materials is that they offer comparable resistance-free performance at higher temperatures. But as Chaudhri explains, it is chilled to today's levels, the new materials offer vastly improved performance. This would give scanners far greater resolution, with more detail and the chance of more specific diagnoses.

Substantial obstacles to commercial use remain. But relevant discoveries are occurring at a rapid pace, almost weekly. And targeted projects are

cropping up. Just recently, for instance, the Argonne National Laboratory in Illinois announced a project to produce a practical superconductor wire within five years.

Winslow learned of that development by reading about it in the Financial Times. He and his associates want a more intimate link to such vital news. Without it, "we would wind up not necessarily the preferred recipient" of the first commercial materials, and "we would lose sight of new-to-the-world opportunities," he says.

The company plans to set up a team in the US, under its Oxford Superconducting Technology subsidiary in Carteret, New Jersey, and connected with the Institute of Ceramics at Rutgers University, also in New Jersey.

Perhaps more significant is the deal being negotiated with IBM's Yorktown Heights Research Division for a joint project concerning use of superconductors in chip making. According to both Oxford and IBM, the deal is nearly concluded. But neither will reveal specifics.

It seems clear, however, that it would be closely related to the synchrotron project, which holds the hope of building multi-million-bit chips.

"One of the things we don't know is how far we can go," says Chaudhri of IBM. As electrons round curves of the synchrotron "race track," he explains, they emit X-rays. This

light source can be used, just like photo lithography, to make patterns on a surface. But because X-rays are of such short wavelength compared to visible light, they can make patterns of far finer dimension, and hence of far greater density.

IBM has been researching this phenomenon for seven years using conventional synchrotron at the Brookhaven National Laboratory on Long Island. This work will be transferred to IBM's General Technology Division in East Fishkill, New York, when the Oxford synchrotron is installed there in 1990.

In the UK, Oxford is participating in development of a funding programme for superconductor research under consideration at the Department of Trade and Industry. The DTI confirms that division chiefs have met with representatives from industry to request proposals.

According to Winslow, the Government may spend several million pounds for collaborative ventures between industry and academe.

Winslow says Oxford will make its proposals in alliance with General Electric Company, the Central Electricity Generating Board and an academic partner. They involve the use of superconducting magnets in power transmission.

The company hopes such liaisons will ensure it a front row seat as the superconductor is that it is supposed to be. It would be foolhardy just to sit back and wait.

IBM plugs into British brilliance

By David Fishlock, Science Editor

THE NEW kind of superconductor lamp that IBM has ordered from Oxford Instruments for trials in a US microchip factory starting in 1990, will generate a light a million times more intense than the light sources used to make microchips today.

This superconducting synchrotron will bend beams of electrons to generate intense beams of radiation, mostly of wavelengths too short to be seen, including ultraviolet and X-rays. Some IBM scientists believe this "synchrotron radiation" could become an indispensable tool in the manufacture of multi-megabit chips, having tens or even hundreds of millions of bits of memory on a single chip, although others are putting their money on electron beam technology.

Intense light

The sub-micron size patterns from which such powerful chips will be reproduced by the million will require intense light of a much shorter wavelength than is customary in the photolithography used today. Synchrotron radiation seems to offer the possibility of much finer detail to be resolved than is possible today.

Synchrotron radiation is a jumble of rays of assorted wavelengths—ultraviolet, visible, ultraviolet, X-rays—produced when a charged particle such as an electron is being accelerated or bent round a curved path.

First observed in the US in 1947 as a useless byproduct of atom-smashing experiments, by the mid-1960s synchrotron rays had begun to shed light on some difficult scientific problems. Special facilities were added to atom-smashers to tap the light. In the mid-1970s British physicists at Daresbury in Cheshire began building the world's first atom-smasher dedicated to generating synchrotron radiation as an experimental tool. It cost £25m and came into

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JOHN NUGENT
CONSTRUCTION PLC

conductors as the medical scanners, cooled to liquid helium temperature.

Wilson has already built one pair of magnets. "So we've tested what we consider to be the key design feature, very successfully," says Dr Peter Peter Williams, Oxford's chief executive.

Dr Williams has been studying the market potential for mini-synchrotrons, initially as an experimental tool for research at the frontiers of chip fabrication, but in the next decade or so as a new production-line machine. Present indications are that the shorter wavelength will begin to become competitive with current practice at sub-micron geometries of the order of 0.7 micron, and will offer severe competition at around 0.5 micron, he says. His best forecasts are that there may be a market for several hundred mini-synchrotrons by the mid-1990s.

Both Oxford and IBM are coy about the price being paid for the prototype. But present signs are that production-line systems will cost \$10m or more, compared with about \$2m for an NMR scanner.

But the company already has competitors. One is in West Germany, where a "club" of electronics companies including Siemens and AEG has designed a mini-synchrotron, starting about three years ago, initially in collaboration with Oxford. However, Williams says national allies have recently driven this club to make its own arrangements for manufacture, through a consortium led by Leybold Heraeus.

In Japan, where research teams have had access to synchrotron rays from the national "photon factory," MITI has helped organise a club of about a dozen electronics companies, called Sortech. Oxford's current view is that the US electronics industry is the best market prospect for its first mini-synchrotrons. Even so, there is likely to be fierce competition with rival technologies; not only current photolithography but also electron-beam lithography.

MANAGEMENT : Marketing and Advertising

Green Shield's return

Will a 30-year-old idea make a comeback?

David Churchill assesses the likelihood of a trading stamps revival

RICHARD TOMPKINS is out to prove that in the marketing world there is no such thing as an old idea.

Tompkins, the force behind the Green Shield trading stamp bonanza of the 1960s and early 1970s in the UK, next week will make a further move towards restoring his stamp empire by opening a Green Shield stamp redemption centre—the first for almost a decade.

Later this year Tompkins plans to have at least 20 more such High Street redemption showrooms. At the same time there should be significantly more petrol stations and retail outlets offering green stamps to customers than the present 1,200.

Tompkins, now 69, fervently believes that the formula that worked so well in the past can be recreated almost exactly to work in the late 1980s and beyond. "The elements of a successful sales promotion don't change that much," he insists. "The time is ripe for a return to trading stamps."

Yet there are those who remain sceptical—not least the Tesco supermarket chain which stopped giving stamps exactly ten years ago in June 1977—a decision which helped initiate Green Shield's collapse. "We have no plans to give Green Shield stamps again," confirms Tesco.

Tesco, like other supermarket chains, decided that stamps had lost a lot of their appeal in the rising inflation of the late 1970s. As prices rose, so more and more stamps had to

be given at the checkout; equally, Green Shield was forced to raise the redemption value of its gifts.

Tesco therefore decided that a strategy based on price cuts partially financed by the savings generated from not giving stamps would appeal more. It did—and Tesco's sales and market share soared. Oil companies were faced not only with escalating prices in the wake of the 1974 Arab-Israeli war but also with shortages and disruptions to supply. Offering trading stamps when petrol was being rationed did not appeal to the oil majors.

Others point out that the consumer is more sophisticated than 20 years ago and is less likely to be swayed by the availability of stamps. "There is a psychological barrier to be broken among those who remember stamps and who see them as rather old-fashioned," suggests John Richards, a senior stores analyst with stockbrokers Wood Mackenzie.

The retail environment, moreover, is now very different from that which existed when stamps were in their heyday. "There are few retailers who are seemingly giving away serious thought to trading stamps," says Richards. "The idea of a general promotional technique is counter to existing strategies of developing added value and differentiating the individual retailer's trading concept."

Even in the US—the home of the trading stamp pheno-

menon—the use of stamps as a sales promotion technique has not recovered to any significant degree since it faded out in the early 1970s.

Nevertheless, if Tompkins can succeed in turning the clock back then he will give the marketing and retail worlds much food for thought.

His reasons for trying again appear to have more to do with his own pride than any need for the money. Tompkins not only made one fortune from the Green Shield stamp operation but also received some £35m in 1979 from BAT Industries for his Argye discount stores chain.

He acknowledges that one factor behind Green Shield's return was a desire "to show people that stamps can still work and to pass on the business to my children." The origin of Tompkins' determination to mail Green Shield a force again is not hard to find. As a young man he had a variety of fairly ordinary jobs—as a laundry boy and petrol station attendant and running a cafe, before ending up owning a small printing company.

But it was during a visit to a friend in the US in the mid-1950s that he noticed some petrol stations had queues while others did not. Enlightenment soon came: those with queues were giving away trading stamps.

Back in the UK he mulled over the possibilities of launching a trading stamp operation even though at least 32 other trading schemes were in operation at that time. Tompkins had

one advantage: he could print his own catalogue of everyday household items that could be redeemed with trading stamps. So, armed with a close analysis of how Sperry and Hutchinson (then the world leader in trading stamps) operated in the US, he launched his own company in 1958.

The name Green Shield he bought for £50 from a man who ran a luggage company bearing that title and the green colour he cheekily stole from S & H which traded green stamps in the US. (When S & H started in the UK, it had to use pink trading stamps.)

Tompkins had no overnight success, but dogged perseverance paid off, helped by Tesco's decision in 1963 to offer trading stamps as its way of boosting turnover in the newly competitive environment being created after the abolition of price controls. By the early 1970s, about half the households in Britain were said to collect Green Shield stamps regularly.

Trading stamps are a relatively simple form of sales promotion. For every purchase made in a shop or petrol station, the customer receives a stamp according to how much is

spent. Retailers used to give one stamp for every 2.5p spent, making a book worth 75p. The new Green Shield stamp is now given for every 5p spent, making a book worth £6.

Retailers and petrol stations are given an exclusive franchise which limits how far away competing retailers will be. The main benefit stamps offer is that it is supposed to be a sales to a point beyond that which covers the cost of the stamps.

Last time round there was no doubt that most petrol stations and stores did increase sales sharply—but only after stamps became well-known.

Tompkins' belief that Green Shield can re-emerge as a marketing weapon is based on three arguments:

● The UK's low inflation rate—and the likelihood that it will continue under Mrs Thatcher. Price, he argues, is no longer the key marketing weapon.

● The public is bored with the promotions subsequently used by petrol retailers and others—such as games and collecting glasses—in a bid to woo custom and loyalty. "The dearest promotion is one that doesn't work," he points out.

● Green Shield gifts are still relevant in the late 1980s. "Everybody still needs to replace saucepans and iron and other household goods," he points out. "They might as well do it through collecting stamps as paying cash."

Tompkins' initial enthusiasm was given a boost by Mobil's recent decision to offer stamps albeit at the reduced rate of three stamps for every pound spent, through its 800 outlets. Mobil was the first oil company to offer stamps in the early 1980s.

But even with Mobil, Green Shield still has a long way to go to reach the 35,000 outlets which offered stamps before. At present there are another 200 or so independent petrol stations offering stamps, and about 200 small independent retailers giving them. What Tompkins really needs is another deal similar to the Tesco one of the early 1960s.

Wood Mackenzie's John Richards believes, however, that there would need to be a dramatic slump in retail sales and pressure on disposable incomes before retailers would consider using stamps as a weapon.

Other aspects of the campaign included reaching overseas visitors via selected foreign consulates; involvement of a group of all-party MPs with leaders of the textile industry; and heavy use of press releases to generate interest.

Paragon's final clincher in winning the award was the cost of the campaign: £42,900—or £1,100 less than budgeted.

David Churchill



Richard Tompkins (right): Mobil is again the first petrol retailer to issue his stamps

Marketing briefs

BREAKFAST MAY be a meal of diminishing importance, but food manufacturers are not giving in to demographic pressures on diet without a fight.

Cereal, milk, tea and coffee companies figure strongly in an analysis of leading advertisers on advertising compiled for a special report included in the latest issue of The Food Forecaster.

Kellogg spent an estimated \$28.5m last year supporting its products, with more than \$4m worth of backing for cereals alone. The National Dairy Council spent more than \$7.5m promoting milk, Nestlé put \$6.8m behind its Nescafé coffee brand, and Allied-Lyons pushed Trolley tins with a \$3m budget.

The report shows that more than 100 individual food brands were each supported by more than \$1m of advertising expenditure during 1986. The list included 18 chocolate confectionery products, 17 cereals, eight margarine brands, and seven types of tea.

Seven generic brands—for example Heinz's range—benefited from budgets of more than \$10m.

Milk and Nescafé topped the individual brands league, closely followed by Maxwell House coffee, Oxo red cubes, Mars Bars and St Ivel Gold margarine.

In the "generics" table Mars brands came closest to Kellogg's with \$18.4m expenditure, followed by Heinz with \$17.7m, Cadbury at \$17.2m and Rowntree Mackintosh with \$14.7m.

Food retailers also spent heavily. Asda came top of the list with \$8.9m spent on Fries and TV, followed by Tesco (\$6.7m), the Co-op (\$6.4m), Sainsbury (\$6.3m) and Freete (\$2.9m).

The Food Forecaster, £25 a year, Industry Forecasts, 22-24, Bell Street, Henley-on-Thames, Oxon. RG9 2BG. Tel: (0491) 574671.

ONION PICKLERS and sauce makers are having a lean time, and will struggle to secure any real market growth in the short term, according to a report from Marketpower.

Only salad dressings show any promise, the research company says, and sales are expected to increase from last year's \$61m to \$76m in 1991.

Sales of sweet pickles, tomato and brown sauces will grow by less than 1 per cent

a year, and sour pickle turnover will fall by about 1.3 per cent, says Eric Statistic.

Pickles and sauces, £35. Marketpower, 84, Uzbridge Road, London W13 8RA. Tel: 01-840 5232.

CHINA presents western brewers with a prime marketing opportunity, according to ERC Statistics.

Beer consumption has increased six-fold since 1980 as demand has veered from traditional to western drinks, and the population has come to expect a less austere lifestyle.

Chinese beer production has failed to keep up with demand, and currently lags 20 per cent behind the market.

North American brewers have emerged as the most aggressive traders in less developed countries, ERC says. Stagnating home markets have prompted them to export, licence their brands abroad and acquire stakes in overseas brewing companies.

Beer, the International Market, £4,500. From ERC Statistics, Lynton House, Tisbury, Wiltshire SN10 1JH. Tel: 01-387 9494.

LOW FAT dairy products, all the rage in Britain and the US, find little favour in West Germany.

Germans consider full-fat products naturally wholesome, and soothe their consciences with products like reduced sugar yoghurts. Still, low-fat items constitute 26 per cent of the overall DM 1.9bn yoghurt market, according to ERC Statistics.

Britain offers wide scope for further development of yoghurt sales, the company says in its latest review. With annual sales of £204m at retail prices, the UK is still far behind West Germany, France and the Netherlands, but intake is growing rapidly.

Consumption increased 70 per cent in volume terms between 1980 and 1985, and is being pushed up by the introduction of new varieties such as coffee flavours, savouries and alcoholic yoghurt "cocktails".

Growth Opportunities in the European Dairy Market, £4,500. ERC Statistics, Lynton House, Tisbury, Wiltshire SN10 1JH. Tel: 01-387 9494.

Christopher Parkes

No woolly thinking

THE BRITISH textile industry has not always had the best luck in recent years as it has battled in home and international markets against increasing competition, particularly from the third world.

So when it wanted to mount a trade exhibition showing off the technological innovations that had transformed the industry, it was disappointed to

posed event—to be held at the Manchester G-MEX exhibition centre in February of this year—attracted virtually no interest.

Philbeach Events, the subsidiary of the P & O group which was organising the exhibition, decided last July to call in Paragon Communications, a medium-sized public relations consultancy, to see if it could revive the event at almost the eleventh hour.

"We would normally want at least a year in which to market such an event," points out Gordon Knight, the Paragon

director in charge of the project.

Yet Paragon's public relations programme not only managed to save the exhibition and turn it into a success, it has also led to firm plans for an event five times the size next year.

Bill Davis, assistant managing director of Philbeach Events, confirms that "Paragon's quick and incisive understanding of the exhibition's purpose and need was invaluable and without this support the outstanding success of the exhibition would not have been achieved."

Paragon's efforts earlier this week won it the PR industry's major award—the Institute of Public Relations' Sword of Excellence.

What did Paragon actually do to win such praise? Its campaign was founded more on common sense and consistent effort than on any highly sophisticated programme.

It found that little effort had been made to identify and reach the key exhibitors and potential visitors to the show. This it did, identifying six target exhibitor and visitor groups.

It then worked out the mes-

sage it wanted to communicate to these groups to inspire them to support the exhibition—and planned how to execute this to these groups.

The message was that the event was the first-ever showcase for textile innovation and investment. To support this, it gathered together case histories of innovations by companies in the target sectors and other factual data about the success of the textile industry.

Its subsequent programme was aimed at briefing trade papers in the industry sectors most likely to exhibit. A pro-

THE ARTS

The Mask of Moriarty

Martin Hoyle

As the constable remarks to the muffled shape that lurches past, "I beg your pardon, Dr. Jekyll—I didn't recognise you in the fog." Hugh Leonard's tribute to the Sherlock Holmes centenary is an unremittingly facetious pastiche that sets out to capture the zany anachronisms of, say, the Brahms-Simon historical extravaganza *No Bed for Bacon*, *Dr. Jekyll*, *Mr. Darcy* (and ends up as a cross between a literary 1066 and *All That* and a Benny Hill show).

Mr. Leonard has nobly forbore to fill in such famous blanks in our hero's career as "the great rat of Sumatra," a story for which the world is not yet prepared. Instead, we have a cobbled-together murder mystery that ranges from a stately home ("He fell into a ditch—ha-ha.") to an opium den where exotic Lily murmurs, "I'm Eurasian," to a drunken toff. "And I'm your Englishman," the ardent swain replies. Two hours of this sort of thing separate the men from the killoys and leaves you chortling or simply aghast.

It is a pity that the author, abetted by a production that underlines every joke with looks of comic bafflement (especially from James Groult's Watson), seems intent less on nudging you in the ribs than on making you uncomfortable with a blackjack. Allusions abound. American heiress Miss Mollars is the fruit of an aristocratic elopement with a gamekeeper; younger Bunny turns out to be the late Raffles's chum; Chinese Lily keeps a hideous picture of an old admirer in her garter ("Dorian Grey ain't coming back"); and the secret inven-

tion that will ensure Britain's maritime supremacy is called the McGuffin (one for Hitchcock fans).

Madcap fantasy it may be, but the play's slovenly construction leaves one wondering, for example, why a Goody at the mercy of evil Moriarty stands mutely stick-like while possible salvation is on stage. The production is more concerned with gags than answering these questions. Possibly aiming at repeating the successful parody formula of *Daisy Pulls It Off*, the same director, David Gilmore, here makes the fun too self-conscious, too knowing. Hence a grim-faced woman who slaps her thigh with a riding crop only to double up with an agonised "Jee-sus!"

Many of the jokes are achingly predictable, but Geoffrey Palmer's excellent Holmes is suitably dry (though his John's elaborate revolving sets, looks extraordinarily well middle-class). Jonathan Clay makes his mark as a sinister hunchback family retainer called Herring (with red hair—wait for it!) addressed also as Halbut and Haddock. It's that sort of evening. With respect to the author, who recently disowned the term "spoof" as too undergraduate, I cannot see who else but a genial audience of hearties in Eighties West could laugh through this protracted party turn.

Philharmonia/Festival Hall

Dominic Gill

Orchestral concerts given in aid of a worthy cause or charity are, musically speaking, a particular phenomenon. The audience, to begin with, is perceptibly not the usual concert-going audience; and on the platform, too, there is more than likely a substantial scattering of unfamiliar faces—since the regular orchestral players, for their own particular reasons, frequently appoint substitutes or deputies for such out-of-the-ordinary events.

The Philharmonia Orchestra's concert on Tuesday evening, under the baton of Louis Fremaux, was performed for the benefit of the United Nations Association. The programme was framed by Mozart's *Haffner* Symphony and Ravel's *Concerto for the Violin*. Pictures from an exhibition: two unexceptionally genial performances, but neither of them of a quality or a stature which

could seriously be called vindictive. The evening, as it turned out, was worth a detour for its two centrepieces alone. Cecil Ouse—like Fremaux also providing her musical services gratis for the international cause—was the solo pianist in Faure's little *Ballade* (originally for piano alone, later rearranged by the composer for piano and orchestra), and in Franck's bigger and grander *Symphonie Variations*. Her account of the *Faure* was a marvellous refreshment—every last ounce suppressed in her delivery of the delicate sentimentality which Debussy once (perhaps overreactionally) mocked. This by contrast, was clear, powerful, and direct. *Faure*, without a trace, either in the phrasing or in the choice of timbre, of salon whimsy.

Cohen and Donohoe

Paul Driver

Two totally accomplished players such as the cellist Robert Cohen and pianist Peter Donohoe need not necessarily find total accord together in chamber music, but if their recital of Russian sonatas at the Wigmore Hall on Tuesday night was representative, they do. The individual performances and the ensemble alike were virtually flawless; stunning and carefully measured virtuosity was continuously in the service of the most feeling insights into the music.

First came Shostakovich's early Sonata, op 40, the least interesting of the three pieces, an innocuous, conservative, four-movement form principally enlivened by its mercurial scherzo, to which Donohoe contributed playing of huge bravura and vivid colour, and Cohen a matchingly brilliant

spiccato. Prokofiev's very late Sonata, op 119 is a more complex affair than the Shostakovich, particularly melodic even by Prokofiev's standards as the programme not said, but nevertheless rarified in sensibility; and the duoists happily captured its note of fused intensity and divertingness. For instance, the walking-pace of the first part of the finale was given its proper ambivalence, but much more comprehensive range of emotion was rightly discovered in the movement before the end.

Rakhmaninov's beautiful, big and creamy Sonata, op 19, sounded marvellous in their hands. The first movement had symphonic sweep and moments of lovely rubato, the scherzo's central melody was done with immense delicacy and warmth.

Dulwich Picture Gallery/David Piper

Forty of the finest return home



Dulwich Picture Gallery

In October last year, 40 of the finest paintings in the Dulwich Picture Gallery went walkabout in Japan. Now the gallery welcomes them home.

Once again Rembrandt's young girl leans dreamily on her window ledge, heedless of the haunted and haggard face of the young man brooding at the other end of the room. The girl was noted by Hazlitt. Visiting the gallery in 1823, as one of the "most remarkable and pleasing" paintings there, though he did not single out that young man (then thought to be a school piece) now agreed, signed and dated 1665, to be a masterpiece of Rembrandt's later years.

In the same room is Jacob's Dream. This became one of the most popular and celebrated images well into the 20th century, and was indeed approved by Hazlitt — "that sleeping figure, thrown like a bundle of clothes in one corner of the picture... with those winged shapes, not human, not angelical, but bird-like, dream-like, treading on clouds, ascending, descending through realms of endless light, that loses itself in indistinct space." Hazlitt continues: "No one else could ever grapple with this subject, or stamp it on the willing canvas in his gorgeous obscurity but Rembrandt."

I hope no one is deterred from concurring with Hazlitt's appraisal of the numerous mysteries of the "willing canvas" by the discovery (in 1946) of the signature of Aert de Gelder on it. The quality of Rembrandt's imagination did not die with him, and this painting by one of the later but perhaps the most gifted of all his pupils (de Gelder was not even born when Rembrandt painted the young girl) is proof enough of its enduring vitality.

Attributions have of course gone up and down in the last 200 years, but the same is far from necessarily true of the quality, while the variety of the Dulwich collection is hardly less striking than the quantity and quality of its finest holdings. In the same side gallery as the three mentioned, are not only a very grand Rembrandt of a waterlily, but two large paintings by painters less renowned (Wynants and Weenix) but performing far far above their usual standard.

These have all been wintering in Japan, together with 35 others. One little trio, grouped together, offers a much brilliant evidence of the health of painting in England around the mid-18th century as one can find anywhere. The Canaletto of Old Walton Bridge on the Thames, startlingly vivid in a long low light, lucid as if in sun washed by recent rain, the early Hogarth of a family group fishing, lightly delicate in touch almost as Watteau; and then one of the supreme masterpieces of the young Gainsborough in his Suffolk youth—a young couple at ease, though dressed in their best, happily improbable in the countryside, surpassing in some respects (the pair looks much more agreeable for one thing) the more famous Mr and Mrs Andrews in the National Gallery.

If you want the French, the justly celebrated Watteau, *Les Plaisirs du Bal*, is back, and so is the magical Claude of Jacob and Laban with his Daughters, of which no better example of that subtle Venice in distill light into distance is to be found. In contrast, the resonant and horrific ceremonial of the great Poussin showpiece *The Triumph of David* displays the young man bearing the severed, obviously gross head of Goliath aloft on a pole through a joyous exclamation of gesture and colour. (Hazlitt saluted the great group of Poussins, for which Dulwich is famous, but disliked with characteristic Gainsboroughian contempt the *Lebanus* Massacre of the innocents for being "French" and "not good": one wonders how it appealed to the Japanese.)

But how fortunate for Dulwich, which to have this extraordinary gallery in an elegant repository, designed by one of the greatest of English architects, Soane, on the doorstep of their village; many capitals are less well endowed. The collection of some paintings in its founding of Dulwich College in 1826, but the injection of major artistic quality came with the Bourgeois Desfontaines bequest of 1811. The nucleus had been a collection of paintings (profiting brilliantly from the dispersal of

French private collection in the Revolution) acting on a commission from the King of Poland. That commission lapsed when Poland itself lapsed, split into three by Russia, Prussia and Austria. Attempts to sell the collection to Russia, and then to the British Government failed, and it was the school and village of Dulwich who came to have what might have been a national gallery three times over.

That the villagers of Dulwich — and indeed all-comers — should be deprived of so many of the masterpieces of this precious amenity for nine months must be of concern, even though enough remained at home to almost launch another national gallery (none of the fabulous Cypris, or the Rubens, for example, went on tour). To describe the peregrination as a "walk-about" is perhaps unseemly, but though Japanese museums are famous for their techniques of packing and displaying works of art, for their skills in conservation, lighting, and security, these fragile and irreplaceable works nevertheless were subjected to five different showings around Japan, five packings and unpackings, plus the long haul to and fro across the continent.

Any curator knows that this, ideally, is not right. The less paintings are moved, the better. Movement may damage their health. There must have been a huge sigh of relief when they returned safely to the gallery the year before, comparable selection travelled in the US. Curators, however, live in a practical world; bills have to be paid. Benefits have to be weighed against the risks. The benefits to the borrowers are obvious enough and very praiseworthy, those to the lending gallery less so. Such projects involve a great expenditure of time, paper-work, conservation, and so forth, as well as the withdrawal from their proper parish, and a temporary abdication of responsibility to the gallery's usual audience. The benefit is essentially financial. The paintings can be hired for the return for Dulwich in this exercise was about £140,000.

That is, of course, a modest sum in any national insti-

tion's budget. Dulwich, however, while of national and international importance, has no claim as a national gallery, either national or local authority funds. And why should the Alleya Trustees at Dulwich College feel that the opening of the gallery to the public must be wholly their responsibility?

If national institutions do this, outcry ensues. The projected hiring-out of the great Impressionists at Cardiff in the Davies bequest was a prime factor leading to the resignation of the Keeper of Art at the National Museum of Wales. On the other hand, even if against some murmurs of protest, the Courtauld Gallery, jewel in the University of London's crown, travelled its even more famous Impressionists to Japan and Australia to help finance the move to Somerset House. A pre-Raphaelite exhibition, based on the Ashmolean holdings at Oxford, is scheduled for Japan. The month of the private museum like Dulwich, and the major university collections like the Courtauld, the Ashmolean at Oxford, the Fitzwilliam at Cambridge, that are most under financial duress. Dispersal already made by universities at Newcastle and Swansea, are, to put it mildly, ominous.

At the Dulwich Picture Gallery, they have in a show-case some visitors' books. One has Gladstone's entry (June 13 1868) another a squib's (November 17 1922). The prime ministers — both Liberals of course. But one of Dulwich's most recent householders, Margaret Thatcher, may make herself felt in more substantial form than a signature in a visitor's book. And what about the Minister for the Arts?

Jenkin's Ear/Royal Court

Michael Coveney

In the wake of Kafka's *Dick*, Jenkin's Ear shows the Royal Court once more touching on the sensitive tissues of the day. Kafka just about held on to his appendage in Alan Bennett's play, but Dusty Hughes's hero, a sea-faring war correspondent tracking down an old friend in a small Latin American country north of Nicaragua is rendered earless while rapidly becoming legless in a downtown bar.

That offstage incident is provoked by Bill Jenkin's friendship with the poet-priest, Rigoberto whom he hopes will lead him to Mary Tennant, an old flame in French West Africa who has gone missing while working for Christian Aid. Suspected of collaborating with the Sandinistas, she might have been bumped off by American intelligence. But the Minister of the Interior, the sinister Ruiz (Nadim Sawalha), who is himself pursuing an affair with the junkie daughter of an American diplomat, has other reasons for maintaining an air of confused hush-up.

Confusion, in fact, is the overall name of the game in David Hayman's production. It fails to elucidate the flashbacks of unravelling a mystery in the binding shape of Bill's last column. And Bill himself, described by the author as alert but frail, is given a damagingly incoherent performance by Robert Urquhart.

In Jenkin's rivalry with a young protégé of the *Times*, Foster, we detect a potentially gripping encounter between the objective humanism of a latter-day James Cameron and the rapacious tactics of a nasty second merchant. However, while Mr Urquhart dithers chaotically, scrambling many of his well-built speeches, Nicholas Grace as Foster, a smug veteran of the Falklands campaign, is altogether too bug-eyed, laun-

dered and deferential as this scheming guttersnipe. Mr Hughes makes no bones about reproducing in the programme his diary of a flying Nicaraguan sojourn. But his one-off impressions sound trivial in stage dialogue often more glib than witty. This effect derives, I suspect, from an ambition to cram too much in. There are as many themes here as in Graham Greene's Argentinian kidnapping masterpiece, *The Honorary Consul*, and they suffer from scant treatment.

Geoff Rose's design of white-washed arches and a green, three-tiered jungle that resembles a mouldering wedding cake with a stone crucifix on top, is first invaded by women bearing placards in memory of the "Disappeared." As the thriller narrative is clumsily developed, we lose sight of the impressively bereaved Nora (Gloria Romo) who has lost three sons and represents "the mocking soul of the country."

The ethics of journalism debate—not as well organised as in David Hare's *A Map of the World*, an obvious model for this piece—swamps the political and strategic topics briefly raised elsewhere: the conflict between Latin American priests and the Vatican, the "new Vietnam" question of Nicaragua, the plight of a decimated and poverty-stricken population.

Alfred Molina has forsaken the energetic high ground of *Servant of the Lord* for the righteous underdog of his beleaguered congregation. His priest is a sympathetic activist hamstrung by peripheral inertia and the unconvincing habit of delivering long Polish jokes while bandaging the seriously wounded. Phyllida Law is grotesquely unlikeable as the American movie actress turned Ambassador. Harriet Bagnall fleetingly effective as the confessional heroin addict.

Sylvia Plath/Jacob Street

Clement Crisp

The new German dance theatre is best known to us from the work of Pina Bausch. In her pieces we have entered a world of allusion, cross-breeding between dance and drama, where a masterly control of diverse elements involves us in precisely judged effects which are unique to the form. Johanna Kraus's *Sylvia*, presented this week by the Salzburg Dance Theatre as part of the Festival of German Arts, is clearly placed within Bausch territory, but seems a more hazardous and heavy-handed construction.

It is conceived as a narrative, sprung from the last days of the poetess's life, in which the matter of her unhappy existence is played out in 28 scenes. Tuesday night's first performance ran for nearly two hours, without an interval, and strained one's tolerance of the idea of theatre-dance quite as much as the little-seen seats in the Jacob Street Studios (situated over the Thames from Tower Bridge) numbed one's lower back.

The setting is a tunnel-shaped stage, very deep, lined with dressing tables and clothes which are used by the 18 members of the cast. The

location is well conceived, but the harsh, pile-driver style of the action, the constant to-ing and fro-ing of articles of domestic furniture over which the performers climb and generally rampage, proves all too unrelenting in charting Sylvia Plath's tragedy. A knowledge of her life and writings would seem to be a prerequisite for grasping the disjointed matter of the drama. Parts of the performance are the rival demands of domesticity and literature; the treatment for mental breakdowns — but the brutal outbursts of transgression, the many activities of her family (including a one-legged grandfather), teeter constantly on the very edge of the risible.

At the heart of the work is the strong presence of Kate Anstruther as Sylvia, in a performance of remarkable emotional and physical stamina. Surrounding her, the Heidelberg troupe battles mightily with events; nothing, though, persuaded me that their frantic behaviour was anything but over-emphatic and self-indulgent. There is a dramatically apt score by Walter Haupt, and effective design—excellent use made of yards of fabric—by Anne Steiner.

Saleroom/Susan Moore

World record for netsuke

A new world auction for a netsuke was set at Sotheby's in London yesterday. The London dealer Ekenazzi paid £110,000 on behalf of a private American collector for a 3 in ivory study of a baba carved by Gachu, an artist working in Osaka at the end of the 18th century. Only recently discovered in a cupboard in Vienna, it more than doubled its estimate and set the previous record of £44,000. It is by far the finest netsuke to come on to the market in 18 or 20 years.

Both the artist and the subject are extremely rare — the two together proved an especially covetable combination. The only other piece of comparable size and quality is in a collection in Japan. A baba is a mythical creature, part lion and part elephant, whose magic power was to devour bad dreams. Summoned by the words "Devour O baba!" it was a popular decorative subject for the sleeping quarters of Japanese houses. This slightly worn and stained figure is powerfully carved, the curl of his trunk echoed in the stylized curls of his mane and tail.

Ekenazzi also secured a fine 18th-century ivory study of a deer for £44,000, more than double its estimate, and a compact study of a recumbent horse by Tamekita for £12,100 (estimate £3,000-£4,000). Confusingly, the American dealer Ashkenazi paid £26,400 for a tigress with her cub, carved by Tomotada in the 18th century. This finely rendered ivory stands less than 13 inches high. An ivory bitch and pup by the same artist sold on target, too, for £22,000. The morning session totalled £456,886 with 8.39 per cent unsold.

The surprise top lot at Sotheby's sale of Victorian painting and sculpture was a riverscape by Benjamin Williams Leader at 1870, *On the Luggay, North*

Wales. It went to London dealer Williams & Son for £1,000. The proud new owner is dealer J. McKenzie. The 17 cricket bats signed by all the members of the 1987 county teams which were sold separately in aid of the Children's Liver Transplant Unit at Queen Elizabeth Hospital, Birmingham, realised £1,117. All but three were bought by one private collector.

Diamonds appeared to be everyone's best friend at a jewellery sale at Christie's in New York on Tuesday. A single stone ring set with a pear-shaped diamond weighing 21.08 carats was secured by a Saudi Arabian bidder for \$477,904, while another single stone diamond, this time rectangular and weighing in at 21.93 carats, went to a private Swiss buyer for \$171,257. A yellow diamond, mounted in yellow gold and signed by Webb, made \$158,063. The sale totalled \$3,535,351 with 10 per cent bought in.

"Breaking the Code" transfers

Breaking the Code by Hugh Whitmore, at the Theatre Royal Haymarket, will transfer to the Comedy Theatre on June 17. John Castle takes over from Derek Jacobi in the leading role as Alan Turing.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 78 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 2.

ITALY

Venice: Ca' Pesaro: American Art in the 90s from the Ludwig Museum in Cologne. Works by 25 artists, from Liekestein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Levitt, Dine, Stella, Noland and Paolozzi. Ends Aug 2.

SPAIN

Madrid, masterpieces of the Duchesse of Alba collection. Spain's best private collection offers a thorough view of Spain's history enriched within centuries by family legacies from the 18th century to the 20th. Sculptures, engravings and paintings include Titian, Rubens, Ribera, Rembrandt, Mengs, Goya, Renoir, Beaudouin, Centro Cultural in Cádiz, Seville 80. Ends Jun 26.

NEW YORK

Museum of Modern Art: Benetton 1981-87. An international assemblage of 55 artists who worked in Benetton over the past 25 years includes David Hockney, Malcolm Morley and George Baselitz. Ends Sept 6.

IBM Gallery: 66 paintings of pre-mod-

ern Vietnam art from the second half of the 19th century including works by Kien, Kien and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lucien Kravitz's photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 26.

Art Institute: 15th century Turkish art exhibit under "The Law of Sultan Suleyman" is displayed in 218 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

TOKYO

Office of the New Period (1868-1912): 60 prints portray the decades after Japan's opening up to the West as a landscape of changing culture.

The jostling of Kabuki actors in sumptuous kimono with Japanese beauties in frolick Western dress and imported technology though, produce the, by now, familiar income-grains that characterise Japanese culture. The enthusiasm for Westernisation is seen in the lively, often comical, prints and provides some insights into the unique beginnings of Japan's long and turbulent interaction with the outside world.

Paris: More than 40 oils, pastels, watercolours, crayons and sculptures trace the development of the woman painter who, influenced at first by Corot, became a friend of the Impressionists and took part in their first exhibition. Galerie Waring Hopkins, Alain Thomas, 2 rue Miramont (42655105). Opened all days except Sundays and Mondays. Ends June 27.

FINANCIAL TIMES

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Thursday June 18 1987

Vacuum in the White House

THE PROBLEMS of the Reagan presidency are now a matter of international as well as purely US concern. Any president trying to work through his final term with a hostile Congress is to some extent immobilised domestically, but in the past the international role of the US has not been gravely affected by this problem. Indeed, given the continuity of US foreign policy, outgoing presidents have tended to be increasingly preoccupied with foreign affairs towards the end of their terms of office.

President Reagan is no exception to this rule. It has long been clear that disarmament would be his main preoccupation in his last two years. Thanks to the Soviet response and to the matching interests of the new White House Chief of Staff, Mr Howard Baker, the momentum for arms control has even been increased.

In all other respects, however, the President seems to have lost all his previous drive, and along with it nearly all of his remarkable charisma. At home, starved of the warm response he could infallibly arouse for his first six years, he seems now more preoccupied to defend some past actions (and to disown others) than with any forward leadership. His vetoes are now vulnerable, his attempts to sway the heads of Congress to the television audience fall flat.

This is partly a problem of Mr Reagan's own psychology. It is still possible that if he can rebuild his self-confidence during the summer recess his present critics will be willing to keep their strictures for his advisers. The President clearly meets a deep need when he persuades his fellow-citizens to walk tall; many must want him to recover.

Generous approach

It seems much less likely, however, that he can recover his international prestige. Heads of government know only too well the problems of an administration in disarray. Mr Reagan's political difficulties at home and the extraordinary administrative mess revealed in the Irangate hearings can only devalue his promises and disarm any threats he may make.

This was only too evident at the Venice summit. Where in Tokyo the President had set

the agenda, in Venice he could hardly even obtain acceptable wording for what was in essence a standard communiqué. Yet his agenda—covering effective international policy co-ordination, freer access to protected markets, and especially a timetable to reduce agricultural protection—was both relevant and urgent.

These are not US preoccupations. The main international organisations are likely to endorse them emphatically, as the Gatt has already done over trade, and the Bank for International Settlements over policy co-ordination and over a more generous and systematic approach to third world debt.

Irresistible challenge

US agricultural interests are not, of course, those of the rest of the world as well as Europe and Japan, but they are very much those of consumers everywhere, and of producers in Latin America and Australasia. Indeed, more rational agricultural trade is of especial importance to industrialised countries. The growing wave of industrial protection is in part provoked by the gross distortions of the agricultural market.

Mr Reagan's domestic problems will prove an international tragedy if the causes he was urging will for lack of political leadership. The European Community, in a rational world, ought to be ready to provide it; in fact it is divided, inclining itself to protectionism, and an obstacle to progress on farm policy.

If the vacuum is to be filled, some new grouping will be required, and this should now surely be a major preoccupation of British foreign policy. Mrs Thatcher is now in a more secure domestic position than any other leader in the industrialised world, and enjoys enhanced international prestige.

Her own instincts on trade are also those of the President: not least on farm questions. Britain's hopes of further sustained economic recovery depend crucially on the growth of world trade, and London is the acknowledged centre of expertise on debt. While this is certainly not an occasion for the visible leadership from the front at which the Prime Minister excels, the situation should be seen as an irresistible challenge to British diplomacy.

The restless Alliance

THE BRITISH general election result last week was disappointing for the Alliance in general and for its SDP wing in particular. Of that there can be no doubt. The Alliance won barely 23 per cent of the vote, more than twice the percentage points down on its performance in 1983. It has returned only 22 MPs, again slightly less than in the previous general election and with some of the successes in the intervening by-elections wiped out.

It did not even remotely achieve its objective of a hung parliament. Nor did it surpass the Labour Party in the popular share of the vote.

Within the Alliance, the result was uneven. The Liberals won 17 seats; the SDP only five. No amount of panache from Dr David Owen, the SDP leader, can wholly make up for the fact that in the House of Commons his party is short of troops.

Thus, perhaps not surprisingly, Alliance leaders have begun an immediate inquest into what went wrong. Or, to be more accurate, some of them want to take action before the inquest is complete. That goes especially for the Liberals, some of whom are calling for a full merger and whose leader, Mr David Steel, is calling for something called "democratic fusion", precisely the kind of woolly phrase that has led the Alliance into difficulties in the past.

Unquestioned errors

Such haste could be dangerous. It was an exhausting campaign, the outcome of which was disappointing for both Davids and their followers. Yet there is time in hand, the summer holidays are about to arrive, and what the Alliance needs most is a period of reflection.

Looking back on the result, it may not always appear quite as bad as it did on the night. To win 23 per cent of the vote is still to have a sizeable impact on British politics. Just as the Alliance's recurrent successes in by-elections deservedly give the system a jolt, so its ability to command nearly a quarter of the electorate is a reminder to the two big parties that they cannot rely simply on the support of their own loyalists.

Also in retrospect, the Labour

Party result looks nothing like as good as expected when everyone was still dazzled by the brilliance of Mr Neil Kinnock's campaign. Labour's share of the vote went up by little more than three percentage points. It made net gains of only 30 seats while losing some marginals to the Conservatives.

The figures do not suggest either that Labour has made its comeback or that the Alliance is necessarily down and out. On the contrary, they show how much there is still to be played for.

That the Alliance made mistakes is beyond question. The twin leadership was one of them. Without the two Davids having to clarify what one or other of them had said, it was probably also a mistake to go for a hung parliament rather than simply the largest possible vote. However, anyone who looked below the surface could see that the kind of politics presented by Dr Owen was different from that of many Liberals. On nuclear defence, the differences came into the open at the Liberal Party Assembly and were never entirely forgotten.

Good rest

None of those errors, however, can be rectified in a few weeks in the aftermath of electoral disappointment. Indeed it may well be that even after a period of reflection a full merger will not seem the right approach. Dr Owen will want to think very carefully before sacrificing his distinctive brand of social democracy to a Liberal Party of which, it appears, he only half approves. And his supporters should be clear about what is on offer: it is not so much a 50-50 deal as a Liberal takeover. The Liberals will be always with us. It would be a pity if the Social Democrats were to die so young.

Still, there is no need to rush. Apart from contemplating its own condition, the Alliance needs to look at the political scene as a whole. How the Labour Party reacts to its own failure to break through will be one of the factors to be taken into account, and that is unlikely to be known before the autumn. Meanwhile, the Alliance deserves a good rest.

SOMETHING changed in South Korea after seven years of hoping that democratic change might come through the institutional channels set up by the military government, the people's patience ran out.

For the first time since President Chun Doo Hwan came to power, the Government decided to make a conciliatory gesture by withdrawing its riot police from central Seoul. Thousands of students were joined for the first time in years by ordinary Koreans, including thousands of office workers, in a stunning show of opposition to continuing military-backed rule.

The hundreds of thousands of educated South Koreans—since 1966, more than 750,000 students have graduated from South Korean universities—have shown they want more than just economic development.

Under the governments of both President Chun Doo Hwan and President Park Chung Hee, this new, youthful middle class has superintended South Korea's miracle of growth. As bureaucrats and company managers in the professions, and the universities, they have turned the country into one of the economic success stories of the decade.

But political development has failed to keep pace. Now, the middle classes are speaking out.

The latest outburst of frustration was sparked off by the President himself. On April 13 he announced in a nationwide broadcast that talks between the Government and the opposition to revise the constitution and hold genuinely democratic elections would be called off. He said the decision was forced by deep divisions in the opposition, which threatened South Korea's political stability.

The Government moved at the same time to prevent the main opposition leaders, Mr Kim Dae Jung and Mr Kim Young Sam, from engaging in politics. The two Kim had shocked the Government by forming a new and united opposition party under their leadership. Known as the Party for Reunification and Democracy, it drew a majority of MPs from the fragmented New Korea Democratic Party.

Mr Kim Dae Jung has been placed under long-term house arrest, denied visitors and his telephone and mail are monitored. Mr Kim Young Sam has encountered serious difficulties in setting up the new party, with many of its supporters under arrest and its meetings disrupted. Under the country's national security laws, even the party platform could be declared illegal.

Disillusionment with the Government did not happen overnight. It was a gradual process that followed the long-term breakdown of dialogue between the Government and the opposition.

In drifts and drabs, statements in favour of democracy began to appear. First, scholars and academics, leaders of the educated community, risked promotion prospects by signing public calls for democratic change.

They were followed by authors and journalists, film makers and artists, writers, pharmacists and dentists. Women, denied the professional job opportunities of men, but just as well educated, also made a stand.

Meanwhile, on the campuses,



Economic miracle, political debacle

By Maggie Ford in Seoul

The students continued their show of protest in favour of democracy. Backed by the Catholic church, which has continually argued for peaceful change, the pro-democratic forces showed their hand for the first time publicly last week. With anger fanned by revelations of the death of a student tortured by police, combined with a fraud scandal involving several senior businessmen, the educated middle class came out of its offices and cheered on the demonstrators. The students' tactics in provoking the use of tear gas by police at a recent soccer match sounded a warning loud and clear in the offices of those organising next year's Olympic Games.

They made their views known on the day that President Chun's chosen successor, Mr Roh Tae Woo, was being elected by the ruling party as its presidential candidate. The election, to be held later this year under the old constitution, does not allow the opposition to win the presidency, a college which chooses the president is stacked again them.

The political atmosphere in Seoul since then has been charged with a mixture of both excitement and anxiety. "We are enduring," said one graduate businessman. "We all want to demonstrate, but we know we must not provoke them too far."

The educated class well remember the events following the assassination of President

Park Chung Hee in 1979. A small riot leading to democracy opened then. But when the people rushed through, they found it closed behind them by President Chun, who took power in a military coup two months later. They are determined not to let that happen again.

The Government's decision to withdraw riot police from around Seoul's main cathedral on Monday and allow occupying

progress on freeing the press, or the offer of some kind of fair elections—will be boosted by the strength of the people's attitude.

The demonstrations will also provide encouragement for the soft liners in the ruling party, who suffered a severe setback in the aftermath of the President's April speech.

For the established opposition, the picture is less clear, not least because Mr Kim Dae

severely criticise this undemocratic attitude, he said he believed that they would succeed in achieving their goal of democratisation and reconciliation. Economic stability would lead to freedom, he added.

As to the people's feelings about him, he said they recognised his loyalty to and faith in democracy. "As long as the suppression goes on, the people will not abandon the leader with the best credentials," he said.

Mr Kim's banning from political activity dates from his conviction on a charge of sedition in the early days of the Chun Government. He was accused of fomenting the civilian uprising in the provincial city of Kwangju while he was in jail. Hundreds died in that uprising and the fear remains in middle class circles that the desire for revenge among Mr Kim's supporters will be too strong for him to resist—thus making him an unacceptable leader to the military.

His co-leader of the Reunification Democratic Party, Mr Kim Young Sam has also suffered continuous harassment over the years for his political activities. His more conservative instincts appeal to the middle classes, but concern remains that he does not have the strength of conviction and moral authority needed in any future democratic state.

In an interview after President Chun's speech, Mr Kim said the president had made a "grave mistake." Predicting correctly that the people would

students to leave without being arrested demonstrated the wisdom of their decision to exercise self-restraint.

Their success presents the established political parties with the challenge of regaining the initiative from a movement which has acted without leaders. The people's message is clear: they want change with stability. They are prepared for it to be gradual, but it must start now.

Mr Roh has offered some opportunities for dialogue with the opposition; but so far they have not seen the overtures as sincere. Any plans he may have for liberalisation—more

Nestling on a table was a prototype of one of those new products itself.

Sugar ignored it to indulge in one of his favourite pastimes—having a go at those in the City who have been downgrading their forecasts of his profits for next year. "The quality of some of the analysts is not up to scratch. They don't talk to us and then come up with their own ideas."

He reckons some analysts are waiting for Amstrad to crash as other high-flying British computer companies have done before it. "While I'm alive and walking, this company will never make a loss—and that's a guarantee," Sugar insists.

Tynesider

Alistair Balls, who has been appointed chief executive of the new Tyneside urban development corporation, is one of the most popular bureaucrats that Whitehall has sent to the region. In an area where central government is seen as frequently unsympathetic, he has managed as the Environment Department's representative since 1984 to win friends and respect in the public and private sectors alike. That will stand him in good stead as manager of the body that Nicholas Ridley, Environment Secretary, hopes will regenerate the urban blight along the banks of the Tyne.

Not least to Balls' credit is the very visible improvement to a few streets in the centre of Newcastle. Government grants, gained with his help, have helped to transform them into a flourishing little enclave of shops and restaurants which proves that there is life still in the inner cities.

Current events

London taxi driver, bemoaning spiralling property prices in his native docklands: "Just look what they are doing to M11. They are making it into an offshore Kensington."

Observer

The educated middle class came out of its offices and cheered the demonstrators

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The success of Madame Le Pen's latest photo display has also taken Playboys by surprise. Already, avid French readers have bought 300,000 copies and the issue is being reprinted.

Nor is it just her husband's political opponents who are applauding her action. A large number of middle-aged French women say she has helped to restore their image.

Sugar's suite

Alan Sugar, chairman of Amstrad, has always done things his own way in taking the company he founded from nothing to a multi-million pound enterprise. Yet he has now fallen into line with other corporate bosses in one respect—at last he has an office suite to match his status.

One of the highlights of a visit to Amstrad's headquarters used to be the sight of Sugar directing his fortune—on paper one of the largest in Britain—from an ageing leather chair, surrounded by his staff in an open plan office.

Now a separate staircase leads to Sugar's plush roof-top office, though he still spends as much time wandering around the rest of the building as in his perch.

His office comes complete with a high tech drawing board, where this week he had written the margins expected from one of the new products he is launching this year.

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"As an ex-government minister you probably don't realise that there are millions before you"

MACAULAY ONCE said that he hoped his History of England would displace the latest romantic novel for a few weeks from the fashionable young lady's table, or words to that effect. The authors of *Apocalypse 2000* would not claim to be Macaulay; but they have managed to make a hypothetical future history of the western economy readable and even entertaining.

There cannot be many writers who make readers eagerly turn over the page to find out "what happened next" when the actions involved are, despite the publisher's hype about the more lurid aspects of breakdown, often matters such as import controls, or budgetary and monetary policy. The interrelation of actions—many of them apparently reasonable, or at least seen as the lesser evil at the time—in different parts of the world leads to a terrifying US, akin to present day Lebanon, and a united western Europe, under a dictator figure, who reminds us that fascism is not just a term of abuse, but does have an economic content.

If any non-specialist reader should worry that the index—a chronology of events—has been more useful—should refer to abstracts such as the NAIKU or Money GDP, he should immediately look up "Olaf D. Le Rith," the demagogue in question, whose portrayal alone justifies the book.

He is "the son of a German-Swedish father and a French mother, who had been educated at schools in England and Italy and at the Sorbonne." An unhappy year on a scholarship in California has given him a profound contempt for "American non-civilisation," and his testament published "in the mid-1980s" in the *European Review*, which later became the name of his political movement (EFM).

He concentrates his drive for power not on national parliaments, but on the directly elected European Parliament, which he transforms from harmless, humbling body into the main instrument of his movement. His first great success is to persuade French National Front Euro MPs, after the departure of Jean-Marie Le Pen, to switch to his movement.

But Le Rith is skilful enough to attract many Greens and ex-Communists too. By 1991 the British Prime Minister is regretting "the yawning vacuum of the directly elected European Parliament, where all went along with so casually without a thought to the potential for irresponsible power that we were creating."

Le Rith's economic message is a form of Euro-nationalism designed to appeal to both left and right. Hence, when he claims, as he does, to be unfair competition in industries where

Economic Viewpoint

A much needed antidote to hubris

By Samuel Brittan

Europe ought to be self-sufficient.

In the June 1994 Euro-elections, his EFM receives a clear majority. His first act is to organise a victory celebration in Venice. The Le Rith celebration has everything: the most dramatic fireworks display ever held over the Grand Canal, and the Pope preaching in St Mark's Square. "If the EFM were going to be the new masters of Europe, then the Vatican had better get on the right side of them at the start."

Le Rith's own speech has two slogans: work and discipline. He insists that "no out-of-date politicians will stand in our way." His main demand is that the Commission should be directly appointed by the European Parliament, which becomes the *de facto* government of Europe.

Le Rith's first act is to impose exchange controls. When the foreign exchange markets reopen, there is a new European central bank located in the premises of the Bank of England, governed by a former head of the Bundesbank and a long-standing Le Rith admirer. Foreign exchange controls are bolstered by foreign travel allowances, itself reinforced by exit visas for all non-European travel. After this, draconian import controls are almost an anticlimax.

Le Rith's work and discipline slogan is taken to the next stage: the creation of many of today's work creation ideas. There is a European Pioneer Corps, compulsory for all 15-25-year-olds without a job. It brings down the unemployment statistics with a bang. The unemployed are offered retraining, and "residential rehabili-

tation centres" if they prove reluctant. The retirement age is brought down to 60 and there is compulsory repatriation of "immigrants."

Do not these measures, accompanied by more conventional monetary and fiscal expansion, lead to inflation? Le Rith's remedy is simple. A "family price index" of a few essentials is constructed; and the main items are held down by control and subsidy, thus "stabilising the cost of living." This, together with the new European Security Force, entitles Le Rith

without trial and press and broadcasting censorship.

Unemployment is eliminated only "because of the appalling inefficiency with which the over-centralised and over-regulated economy was now operating."

People transfer from the dole queue to the bread queue.

This account of the unexpected and unintended results of many policies in vogue in 1987 throughout the political spectrum kept on reminding one of Hayek's Road to Serfdom. Those readers who will delight in the Kinnock-style attacks on "unerring" Thatcherism and Reaganism earlier in the book will need to read the Le Rith sections carefully if they are not to jump out of the frying pan into the fire.

The epilogue on How and Why does not pretend to be more than a sketch.

Europe is told that it should have phased out much sooner its subsidies to older industries and is criticised for the inflexibility of its labour markets.

But governments which try to face up to these problems are criticised for following the economics of the jungle.

There may be social market policies which would enable us to combine the best of both worlds, despite what happened to the Alliance in the recent British election. But I was disappointed that, so far from updating and extending Peter Jay's earlier analysis of the functioning and monopolistic labour markets, and developing his suggested cures, we are given but a cursory hint; and the book ends with conventional strictures on present-day governments for "not caring enough."

The main interest of the book does not lie in the diagnostic

to impose a wage freeze. It is not long before direction of labour is imposed, and control over place of residence.

But the gains from sacrificing freedom prove ephemeral. Lack of incentives, bottlenecks and inefficiency put the living standards of those at work for the first time in many decades on a declining trend. Even the import and exchange controls backfire, as the number of jobs they gain is more than offset by jobs lost through falling overseas income and retailing.

Opposition does not get far however, in view of detention



APOCALYPSE 2000-2000

ECONOMIC BREAKDOWN AND THE SUICIDE OF DEMOCRACY 1989-2000



epilogue, but in the all-too-plausible narrative explaining how a series of undramatic acts cumulate, as in catastrophe theory, an apocalypse. The authors' own account of the failures of a sophisticated Democrat president supposedly elected in 1988 and of a strongly entrenched SPD government in Germany, neither of which can be accused of lack of care, suggest that something deeper is at work.

At every stage in the narrative governments are either attacking inflation and finding unemployment soaring yet higher, or finding their expansionary anti-unemployment measures brought to a halt by soaring inflation. The implication is that the point of balance—the rate of unemployment at which inflation is stable—has not only deteriorated compared to the 1960s and 1970s, but will continue to deteriorate. But neither the authors (nor anyone else) has explained exactly why.

Reading *Apocalypse 2000*, it is the international implications which seem to hold the key to the tragedy. The decent Democrat president, frustrated by his attempts at budgetary reform, turns to import controls. This deflates the Japanese trade offensive on to Europe, which retaliates with more controls—and Le Rith is given his chance to call for a Continental siege economy.

In Britain the final collapse is signalled by a crash in house prices which leaves a million people unable to meet their mortgage obligations.

Apocalypse 2000 demonstrates that serious subjects can be discussed without solemnity

and with a few jokes thrown in. But who, observing the papering-over exercise at the real Venice summit of 1987, can assert that the chain of events depicted, or something like it, is so unlikely that it can be disregarded?

If an antidote is required to the triviality of believing that economic problems are now over and that the re-elected Thatcher Government can concentrate on settling old scores with Labour local authorities, this is it. The Chancellor has himself said that the world economic uncertainties are the main threat to Britain's own recovery.

One does not have to take *Apocalypse 2000* literally to see that this qualification is no mere detail, but could be the heart of the matter. Britain does not rule the economic waves any more than the ocean does. But why is there not some British clamour on the international scene? The Baker plan for automatic action based on a common series of indicators may be ill-thought out and half-baked. But unless it could put forward something better, the British Government had no business supporting the negative and immobilising German opposition to any systematic contingency planning.

Indeed, allowing for the difference in style and time horizon, I wonder if the contents of the new and pessimistic OECD Economic Outlook due tomorrow will read so differently from the earliest chapters of *Apocalypse 2000*.

Apocalypse 2000: Economic Breakdown and the Suicide of Democracy, by Peter Jay and Michael Stewart, Sidgwick and Jackson, £12.95.

JOE ROGALY

How to improve Tory education

NOW THAT the election is over, anyone who remains to be convinced about the Government's good intentions towards the poor and the disadvantaged faces two choices. The first is to view everything the Tories do as malevolent and therefore to oppose it vociferously. This is the path to be trodden by those who "drool and drive" about compassion (to use the phrase Mrs Thatcher apologised for in a celebrated television interview with David Dimbleby). The more positive choice is to use the topic of the Government's own policies as a lever on behalf of the underclass.

A case in point is the sale of council houses to sitting tenants. The policy was put forward by Mr Frank Field, now a Labour MP, when he was a lobbyist at the Child Poverty Action Group, even though, at the time, the loss of a single dwelling to the private sector was regarded by Labour as a piece of Tory devilry.

His idea was to give the houses away: in the event the discounts have been so high and so many people have benefited that all parties are now obliged to support council house sales. (With some justice many of the new owners are turning out to be Conservative supporters.)

Bear that little history in mind as the spotlight turns to education. The Conservative manifesto, as elaborated in campaign statements, could be interpreted as the thin end of the wedge of privatisation of the school system. Schools will be able to opt out of the control of local education authorities; they will therefore manage themselves, using state funds. There will be more City Technology Colleges—fewer, more direct grant/privately funded schools. School budgets will be mathematical extrapolations of the number of pupils: so much per young head. Popular schools will not need those in the queue down the road but, rather, expand to take more customers.

I know that none of that is in itself privatisation, but wait. Not long before the election the Education Unit of the Institute of Economic Affairs (a free-market temple of thought) published a pamphlet entitled, *Our Schools—A Radical Policy*. Its author, Mr Stuart Sexton, was a special adviser to two

Education Secretaries—Mr Mark Carlisle and Sir Keith Joseph. Although he was dropped as too right-wing by the present incumbent, Mr Kenneth Baker, he sees the fruits of his private and published papers in the education section of the Conservative manifesto. And what he proposes is, in his words, "in some sense to 'privatise' the state education system."

This strategy is to phase this in, winning support for each separate step as beneficial in its own right. Each of the items on Mr Baker's agenda—opting out, schools' control over their own budgets, per capita grants to schools, and so on—is a step proposed by Mr Sexton.

It is possible that political pundits will prevent the Government from travelling all the way with Mr Sexton, for at his ideal destination every parent would be given an "education credit" (called vouchers when Sir Keith failed to get them through) to spend at a school of his or her choice, be that direct grant, local authority, or private. The credits would initially be taxable, but parents could choose the basic provision alone, or top up what the state provides. It would be a consumerised system, close to the Prime Minister's heart.

What of those parents who cannot afford to top up, or those who are not middle-class intellectuals who can push their children along? "It would be reasonable to offer an enhanced value credit for the education of a handicapped child," says Mr Sexton, who, while doubtful, also allows for higher credits in the poorer parts of the inner cities.

Here is the lever for the compassionate in all parties. At every stage of Mr Baker's progress—whether he is instructed by Downing Street to follow Mr Sexton only a third of the way, or more than half—the question to ask will be whether there is positive financial discrimination in favour of the children of the poor.

If there is, the Tories could have another runaway best-seller, and a few more otherwise miserable children may have been given something nearer to equality of opportunity.

Competition policy

From Mr R. Legg

Sir—Now that the Election is over I hope that Lord Young and Kenneth Clarke will not waste valuable time at the Department of Trade and Industry by resurrecting last year's review on law and policy towards mergers and takeovers. A lot of nonsense has been spoken in the last year, especially in the wake of several controversial bids. Suggestions that companies should be required to prove that their offer is in the public interest, or that new laws restricting takeovers, are damaging and meddlesome.

Past experience of government interference in industry suggests that allowing political institutions rather than shareholders to decide the merits of future corporate control is unworkable. It is also at variance with the Government's strategy of spreading the benefits of share ownership more widely. Most company takeovers benefit shareholders, managers and employees. They provide impetus and new strategies, purpose and direction and an important corrective to bureaucratic and out-of-touch management.

Acquisitions are a crucial part of business activity. The present benign approach, which makes competition the main criterion for judging whether a takeover should proceed, works despite occasional flaws. A new and more restrictive approach will create far more problems than it solves.

Lord Young and Kenneth Clarke have much to do. They should be allowed to get on with the job and not be side-tracked.

Barry Legg, Hillsdown Holdings, 33 Hampstead High Street, NW4.

North, south and mobility

From Mr A. Pudney

Sir—Post-election debate in the media and elsewhere suggests the existence of both a political and economic north/south divide—surely a situation which is doubly unacceptable. Almost simultaneously, it seems, we have seen more articles and comments in the Press on the inexorable rise in house prices in the south east, a situation thought by many to be caused by the rigidity of the planning system and a major contributing factor to the divide.

In my opinion present conditions restrict mobility of industry and supporting work forces. Not unnaturally, businessmen and key staff are reluctant to move north for fear that they will be unable to pay the increased prices should they want to return. Conversely

Letters to the Editor

people from the north are unable to move south for the same reason: they are financially assisted, an option which may be available only to a limited number of employers.

Has the time not come to carefully ease planning restrictions in the south? In my opinion this would lead to a reduction in the price of land, an important element in new house prices and one which I understand can currently constitute as much as half the price of a new house. This action coupled with other stimuli for the north would reduce, and hopefully in time eliminate, the regional differential. An end to financial and political "apartheid"?

Alan D. Pudney, Little Hyde Farm, Ingatstone, Essex.

Switch tax to land

From Councillor R. Clarke

Sir—One word which has never heard during all the election—never mentioned by any party—was land. Yet it is land, the price of land, the ownership of land—or rather the right to the rent thereof—which is at the base of our most pressing problems: the shortage of housing and employment in our distressed inner cities or the continued financial drain of our agricultural industry.

Fouring money into agriculture by means of artificial inflation prices combined with an efficient farming industry has led to unmanageable surpluses. In the short term all looked well but in the long term neither the farmer nor the consumer has benefited. The former has to work ever harder to pay his ever rising rent—the latter to pay prices artificially high. The protection of the CAP has accrued to the landowner.

The inner cities face even greater problems. Here high land values have destroyed much urban business and industry and increased the pace of green-field absorption. Rent levels drive out private housing and only old style council housing remains. To four taxpayers' money into this situation as Mrs Thatcher appears poised to do, will merely raise land values and impoverish the people still further—an effect all too well illustrated by the channelling of oil revenues to Latin America.

Your editorial of June 13 states that "the Government is surely strongly enough placed to confront vested interests" and postulated radical tax reforms. To continue to tax enterprise and industry—even indirectly as now appears to be

fashionable—while removing the one remaining property tax—rates—is not a radical approach to economic regeneration. Switching taxation from the active elements in production—labour and capital—to the passive element—land—would be.

The major issue for any Government is that of taxation. Now that the election is over can we now look for constructive discussion on this question?

(Councillor) Richard Clarke, Sunflower Cottage, Little London, Lechlade, Glos.

More woolly thinking

From Mr H. Jellie

Sir—John Cherrington's article on the growing interest in angora goats in Britain (May 27) in which he said the goat boom in New Zealand did not last long and Fergus M. Wood's letter (June 12) casting doubts on the viability of domestic mohair production could lead some people to believe that the end of the fibre goat industry in New Zealand is in sight.

It is true that the goat industry in New Zealand has been through a boom of prices followed by a marked drop, but this does not signify the end of the industry, only its coming of age. It shows that New Zealand farmers are now looking objectively at the value and quality of the stock they require. As a result, average and poor-quality animals fetch prices related to their ability to produce fibre, but goats with the genetic potential to develop the industry by raising the quality and increasing the yield of mohair command premium prices.

The growing number of people in Britain who wish to farm fibre-producing goats commercially will for some time come turn to New Zealand live-stock breeders for the high-quality animals they need to bring about an overall improvement in their commercial stock.

While angora prices in the UK are almost bound to fall, the long-term potential of the fibre goat industry in Britain has been recognised by people who are prepared to work through the unavoidable infancy stages by objectively selecting quality animals for which they are prepared to pay relatively high prices.

There were several other points in John Cherrington's article which need amplification. Animals do not simply produce surplus ewa. A carefully set-down management programme is needed to make

donor does super-ovulate. The collection of embryos and their refrigeration for transport at minus 196 deg C is much more complicated than he suggests. The process of embryo transfer, especially in the goat, is not a simple procedure and can go totally wrong if it is not carried out by experienced people in strictly controlled conditions of management and treatment.

Hugh Jellie, Woodstock Breeding Services, PO Box 2025, Taurenga, New Zealand.

Quick usable information

From Professor J. Beaumont

Sir—Alan Cane (June 10) is correct to highlight that electronic point of sales (Epos) systems are all about management information—stock control, cash management and product marketing. Moreover, there is no argument that management requires more (or more accurate) information more quickly, cheaply and accurately.

Epos systems have enormous potential to enhance management information and control. To ensure this potential is realised, in planning the systems, it is essential to recognise the dangers of "data overload" hindering management's sound decision-making. With such advances in data capture technologies, it is of paramount importance to distinguish between raw data and usable information. Unless properly structured and stored, further data collection should not be justified in its own right; it must be integral to management information needs and, therefore, it should be a component of the strategic planning process, characterised by priorities and conflicts.

Given the availability of suitable hardware and software and the recent developments in terms of communications and networking, with proper planning there should be no reasons why retail management cannot have timely access to the information they want.

(Professor) John R. Beaumont, The University, Stirling, Scotland.

Domestic oil reserves

From Mr B. Adkins

Sir—Referring to your leader on May 21 and to Mr Peter Rose's comments thereon (June 9), is it not prudent—while we can get our oil supplies from elsewhere at reasonable prices—to leave our own in the ground (or under the sea) until those other supplies dry up or become too expensive for ourselves or our potential customers at that time?

Bruce M. Adkins, 13 Avenue du Panorama, 91190 Gif-sur-Yvette, France.

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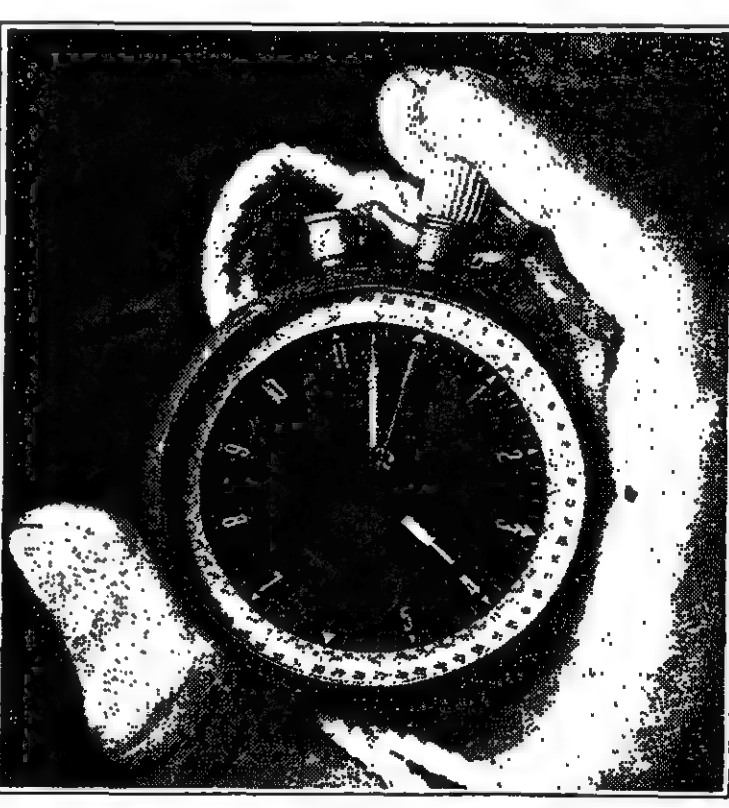
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METROPOLITAN WIGAN

WE'VE GOT A LOT TO OFFER

BLOW TO COCAINE TRAFFICKERS COINCIDES WITH UN CONFERENCE

Colombians swoop on drug ring

BY CHRISTIAN TYLER IN LONDON AND SARITA KENDALL IN BOGOTÁ

POLICE IN Colombia announced one of the biggest anti-narcotics raids yet as a United Nations conference on drug abuse and illegal trafficking opened yesterday in Vienna.

Using helicopters, the police discovered some 50,000 hectares of coca leaf plantations in the Putumayo region near the frontier with Ecuador. They arrested 38 people and destroyed 300 kilos of raw material for the hard drug cocaine.

Colombian peasant growers are said to produce half the cocaine on the world drug market, which is said to be worth \$300bn.

The UN conference, at which more than 130 countries are represented, is the highest-level world forum yet convened to debate joint action against the drug-runners and help for their victims.

Delegates yesterday heard messages from President Ronald Reagan and from the Pope.

Mr Javier Perez de Cuellar, UN Secretary-General, said it was not only the drug addicts who lost their health and freedom. Whole states were "marred by corruption" and could find their independence threatened.

More than half the crimes in some countries were drug-related, and the trade was often connected to illegal arms deals, subversion



and terrorism, he said in his opening address. In his message, President Reagan said drug abuse sapped the energy and ambition of youth. Pope John Paul described it as a "plague" to which the breakdown of family life was contributing.

Its spread was blamed by Mr Mahbubul Mohamad, Prime Minister of Malaysia and chairman of the conference, on a lack of will in many countries where hard drugs were produced, consumed and marketed.

Malaysia's execution of drug-runners has received wide publicity in the West. The 10-day Vienna conference is due to debate a detailed action programme addressing the main areas of prevention.

These are: preventive education, crop substitution, medical and scientific use, forfeiture of profits and extradition of criminals, law enforcement and treatment of drug victims.

It will also hear a progress report on a new international convention against drug trafficking.

A minor dispute over who should chair the conference was settled yesterday when Bolivia withdrew its candidature. Delegates said Bolivia had wanted to draw attention to its \$300m plan to replace its coca crop, said to account for half the world's production of cocaine.

The raids in Colombia follow another recent swoop in which 200 hectares of coca were discovered near Paima, north-west of Bogotá.

Despite the overall size of the area sown with coca, most of the farms are small-scale plantations cultivated by peasants living in the jungle around Puerto Asis. Farmers say they grow coca because it pays better than any other crop, and there are always plenty of buyers.

The police have started burning down 53 laboratories for converting the coca leaves into cocaine base and captured large quantities of petrol, caustic soda, potassium permanganate, lime, fertiliser and other chemicals used in the early stages of processing.

The destruction of the plantations has also begun - a lengthy task, as each coca bush must be chopped down with a machete, then burned. Although aerial spraying eradicated marijuana plantations in northern Colombia, permission to use herbicides against coca on a large scale has not yet been given.

Several skirmishes between police and traffickers have occurred in the area. Venezuelan troops were also attacked near the Colombian border this weekend, apparently by Colombian traffickers, and guerrillas belonging to the National Liberation Army. More than 40 people were killed.

Although the recent raids represent an important blow against small-scale coca producers, the fight against high-level drug laws has not brought results since the capture of a leading drug trafficker in February.

Last week the Minister of Justice, Mr Edmundo Lopez Gomez, who had been in the job for only a few weeks, resigned. Officially, it was for political and personal reasons, but it is rumoured that there had also been disagreements about the extradition of alleged traffickers, to the US. Colombian judges are now extremely reluctant to take drug-related cases because of assassination fears.

Japanese miners dig in for a bleak future

By Peter Bruce, recently in Kamisunagawa, Hokkaido

THE HEADQUARTERS of the Japan Coal Miners' Union consists of a few sad rooms in a small, non-descript house in Tokyo. Part of the reason why it is explained here in Kamisunagawa, a dilapidated town on the country's northern island.

The coal mine that gives Kamisunagawa life is closing after 73 years. The giant Mitsui group, its owners, told the 700 workers at the mine last month they wanted it shut quickly, sparking the latest in a long line of protests and strikes that have marked the Japanese coal industry's dramatic decline since 1960.

After two one-day strikes, about 20 miners, local shopkeepers and housewives staged a sit-in outside the mine management offices last week as part of a hastily-devised plan to persuade Mitsui not to close the mine. Hopes are not high. The next day, Mr Masayuki Takahashi, the senior trade unionist at the pit, and some of his officials went to Tokyo to deliver protests to the Government. They were politely told they could not be helped.

Japanese coal miners, not just those in Kamisunagawa, are bitter. They think their livelihoods are being threatened in pursuit of profits they cannot deliver.

In 1960, Japan produced about 50m tonnes of coal a year. That had fallen to 33m tonnes by 1970, and last year, the country's remaining 10 mines managed just 15.5m tonnes, well below the 20m target in the Seventh Coal Plan drawn up in 1980. In April, the Government and employers, after talks which included the unions, drew up an eighth plan that radically cuts production targets.

By 1992, the mines will produce less than 10m tonnes, the plan says, with production of all coking coal (about half present output, which is used in steel-making) coming to an end.

The industry's last customers will be power utilities, and few people would bet on them buying local coal for much longer than 1992 if they can get away with it. Domestic coal, which lies deep, costs about ¥23,000 (\$139) a tonne and imports are landing at Japanese ports of ¥7,000 a tonne.

The Government subsidises coal through a levy it extracts from imported oil but importers are pushing hard for the levy, ¥130bn last year, to be lifted. The eighth plan, which will halve jobs in the industry to about 6,000 and the number of mines to five, may already be inadequate.

The potential job losses are so serious in Japanese terms that all the big coal producers, Mitsui, Fuyo, Sumitomo and Dai-ichi Kangyo Bank, along with the Coal Association and the Government, declined to discuss the industry's future with the Financial Times.

The coal unions say they are trying to be reasonable. "We have to try to save off closures for as long as possible to save the towns," Mr Fujiwara says. "But we must be realistic, given that domestic production costs are so high."

In Kamisunagawa, which loses about ¥2m a year, the coal has been mined as close as possible to the surface to save money. Mr Takahashi says the workers declined a wage rise last year and have compromised on safety underground to try to cut costs and save the mine.

But Mitsui was ominously quick to announce closure once the eighth plan came into effect in April. The company is offering jobs on Houshu, the main Japanese island, plus 200 in Kamisunagawa. "But we are interested in the quality of the jobs," Mr Takahashi says, "not the quantity."

The capitalists in Japan regard Hokkaido as a colony," he says. "Once there's no more to take, they withdraw."

Japanese bank debt review

Continued from Page 1

Northwestern's Law School dean. "He has taken a strong stand in favour of regulating insider trading" and has concentrated on other areas such as securities fraud and regulation and protection of investors.

Despite his favouring appropriate levels of regulation, his colleagues say he is at heart a liberal Republican free marketeer, a philosophy which would have helped command him to President Reagan. While some academic colleagues consider his passion for golf slightly eccentric, it will give him a further element of common ground with his new colleagues in Washington and on Wall Street.

THE LEX COLUMN

Magnets lose their pull

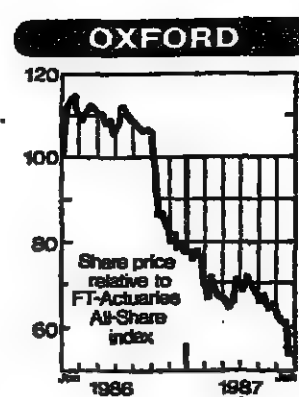
Oxford Instruments could be just the example the Bank of England needs to add some human interest to its lectures on short-termism. Having come to the market in 1983 as a one product company (magnets) with tremendous immediate growth prospects, it has subsequently diversified and now derives more than half its earnings from that product. Nevertheless the diversification has not been able to save the rating once the slowdown struck magnets, and there will be some technological lumps about Oxford's earnings until the early 1990s when it should boast three or four substantial businesses. Will the market allow it to make that transition to the safety of steady earnings? Judging by yesterday's 10 per cent slip in the share price the answer is probably no.

The figures for last year were only a little worse than expected, although they were boosted by acquisitions and the capitalisation of some R&D. What appears to have upset investors is the faster than expected squeeze on the MRI magnet market. Last year's drop in volume will be even worse this year particularly following the Picker-Philips joint venture (together they account for about 50 per cent of demand for the magnets) and the failure of the Japanese market to take off. Perhaps the directors, and the analysts, should have spotted the severity of the downturn earlier given the recent troubles at Picker and the switch to in-house magnet production. But at least the management has now openly stated that it believes profits for the whole company will be down this year.

The good news is that IBM is prepared to back the new synchrotron (the next super-product which unfortunately will not start producing real earnings until 1990). The next two years will be tough but this is a high risk/high return stock and is at least underpinned by bid prospects. It would be a shame if that bid is triggered, since size is not Oxford's problem, and it will be protected by the mobility of its key human assets.

British Gas

Prospectus forecasts are made to be beaten, but not usually by as much as the £100m by which British Gas exceeded the £575m histor-


 OXFORD
Share price relative to FT-All-Share Index

make Japanese investors feel at home it has failed - they have been sellers on balance since the flotation and show no sign of returning.

Int'l Thomson/ABP

The International Thomson Organisation has done little to challenge its reputation for paying fancy prices with its recommended offer for Associated Book Publishers. But, despite the prospective exit multiple of close to 40, it should not be dismissed as the expensive victim of a hugely rich and, effectively, private corporation. After all, the Wadsworth acquisition was so dismissed by some in 1978 and it has more than paid its way.

The strategy of shifting old revenues into quality publishing concerns remains intact; the sale of its UK trade publishing companies merely emphasises ITO's stress on the professional and technical side. Unlike some of the other giants currently centralising the information industry, ITO is less concerned with international rights than with sound long-term businesses. Thanks to the inherent hyperactivity of legislators, legal publishing - which accounts for most of ABP's profits - is just that. ABP's inclusion should allow for some cross-fertilisation with ITO's existing academic interests and improve the geographic spread.

BHP

On the face of it Adelaide Steamship is in the classic position of an option writer unable to deliver stock when the market has moved the wrong way. And who could blame Bell Group for wanting to extract as much as possible in recompense for not getting as many BHP shares as it bargained for. It has, after all, been counting on controlling 30 per cent of BHP including Adelaide's stock so the shortfall knocks its holding down a fraction. It was ironic that only hours after Adelaide and Bell were leaving their statements in a demand for its shares in Europe, following the ADR issue in the US, in the interests of wider and deeper share ownership. With nearly 50 per cent of the share capital still in the hands of two holders, BHP's motives are pretty clear too.

EC set to extend anti-dumping duties

BY WILLIAM DAWKINS IN BRUSSELS

EC AMBASSADORS in Brussels yesterday finalised a controversial scheme to crack down on Far Eastern - and particularly Japanese - exporters' use of lowest assembly plants in the Community to avoid anti-dumping duties.

The proposal, which would extend anti-dumping duties from imported products to embrace their components, looks almost certain to be approved at a meeting of Community foreign ministers early next week, despite fears by Portugal, Ireland and Greece that it might drive Japanese industrial investment out of Europe.

Agreement on the measure, which is expected to hit Japan's top makers of photocopiers, electronic

weighing machines and electronic typewriters, will add to the already considerable trade tensions between the EC and Tokyo.

Japanese industrial associations have warned repeatedly that the move could damage European investment plans, thereby putting thousands of potential new jobs at risk.

The scheme is the result of intense lobbying by European industrial groups, incensed at allegedly predatory Japanese trade practices.

The proposal, put forward by the European Commission in February, is not aimed specifically against the Japanese, although they are likely to be hardest hit. The aim is to penalise exporters who attempt to circumvent EC anti-dumping duties by assembling the products affected inside the Community, in so-called "screwdriver" plants, fed by a high proportion of dumped components.

The new penalties would be confined to products made by EC companies closely related to the exporters concerned. Duties would apply when local output has risen fast in the wake of the imposition of anti-dumping duties on EC imports of the same product.

Although the rules likely to be agreed next week are highly specific, the commission is insisting that each case will be taken on its merits. This is an attempt to calm poorer member states' fears that they risk losing valuable foreign investment. However, next week's decision will be taken by majority vote - and Portugal, Ireland and Greece are a long way short of commanding a blocking minority in the Council of Ministers.

It is partly to make a symbolic gesture towards avoiding an open trade war with Japan that West Germany, the Netherlands and Denmark are pressing for a slightly more liberal measure.

Under the Commission's original plan, duties would apply only when the value of imported parts exceeds 35 per cent of the total, with the remaining 45 per cent coming from any source (in or outside the Community) other than the country doing the dumping.

Lucas last night accused the Italian company of jumping the gun with the announcement.

But the disposal is in line with the group's determination to deal swiftly with those of its interests which cannot be made profitable and internationally competitive. Lucas says those which do not measure up will be sold, put into joint ventures or, in the last resort, closed.

For example, Fiat's Magneti Marelli is also the front runner to acquire Lucas's starters and alternators operations which employ 1,700 people in the Birmingham area.

Fiat takes over Lucas lighting operations

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FIAT, Italy's major automotive group, is to take over Lucas Industries' vehicle lighting operations in Italy and the UK, where 1,800 are employed at Cannock and Telford in the West Midlands region of England.

Fiat already has substantial vehicle lighting interests and when the deal is completed will control a business with annual sales equivalent to £165m (£270m) and a 25 per cent share of the West European market, about equal to that of Robert Bosch of West Germany.

Lucas's main customers are in the UK but it also has a contract with General Motors of the US, the

world's largest automotive group. The UK company's Italian associate, Fausto Corrello, owns two factories employing 1,400 in the Turin area and is a supplier to most of the European vehicle producers.

As part of the arrangement, Fiat's own vehicle lighting division, Slem, which has 750 employees in Turin and mainly supplies its parent, will become part of the new grouping.

The complex deal involves Magneti Marelli, the Fiat subsidiary which acts as a holding company for the group's component operations, first acquiring Lucas's 40 per cent shareholding in Fausto Corrello

in on terms which so far have not been disclosed.

Fiat will take its stake in Corrello to 60 per cent by acquiring extra shares from the Corrello family, which currently controls the company, in exchange for Slem.

This will take Fiat's shareholding in Corrello to 60 per cent but the current Corrello management team, including Mr Massimo Corrello, the chief executive, will remain in place with responsibility for marketing, sales and research and development.

In the UK a new company, Corrello Lighting, will be set up to buy the Lucas factories.

EC Commission tax plan opposed

Continued from Page 1

that the Ecu 330 per tonne tax (to be levied on oil crushers) will discriminate against traditional exporters such as the US and the African, Caribbean and Pacific countries linked to the EC under the Lomé trade and aid convention.

The Commission has consistently maintained that the measure is not discriminatory and is within the rules of the General Agreement on Tariffs and Trade. It says the tax is essential in the current EC budgetary crisis, provoked largely by ballooning agricultural spending which this year is anticipated to overshoot estimates by Ecu 4bn.

Officials in Brussels believe the tax proposal should be viewed in the context of related plans to control production in the oilseeds sector.

Eurotunnel alters finance plan

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN PARIS

EUROTUNNEL is dropping plans for a £725m (\$118m) equity issue this summer, the group said last night. Instead, it has secured a loan for a similar amount from a group of 10 French, British and Belgian banks.

The loan will be repaid out of the proceeds of the £750m equity issue Eurotunnel plans for late autumn and which will form the basis of the whole of Channel Tunnel's £50m finances.

Mr Andre Benard and Mr Alastair Morton, co-chairmen of Eurotunnel, described the change of plan as a "positive development".

They said it would spare Eurotunnel the trouble of preparing a prospectus for an equity issue at a time when it was extremely busy. Mr Morton said the loan was equivalent to an equity issue because of

the repayment conditions. Banks would have no other security than the equity issue proceeds.

"This demonstrates the banks' confidence that we shall be able to raise the money in the autumn," Mr Morton said.

The loan facility is in French francs and sterling. The French franc portion is being provided by Banque Indosuez, Banque Nationale de Paris, Credit Lyonnais, the Caisse Nationale de Credit Agricole and the Caisse des Depots et Consignations.

The sterling tranche is coming from Midland Bank, Robert Fleming, Morgan Grenfell, S.G. Warburg and Belgamanchie. Belgamanchie is owned jointly by Societe Generale de Belgique and the Societe Nationale d'Investissement, the government-owned long term investment

institution. The group's involvement demonstrates Belgian interest in the tunnel project.

The precise terms of the facility have not been disclosed, but were said to be "conventional".

The purpose of the loan is to tide Eurotunnel over "between last year's £200m equity issue and the £750m issue next autumn. So far, the project is committed to spend about £150m, and officials said last night, that they might not need to use the entire new facility.

Mr Morton said he expected the group of British banks underwriting the equity issue to be enlarged beyond its present members, National Westminster and Midland. The likely new members are Barclays, Lloyds and Standard Chartered.

World Weather

	°C	°F		°C	°F		°C	°F
Algeria	28	82	Dublin	12	54	Osaka	27	81
Amman	28	82	Edinburgh	12	54	Paris	27	81
Ankara	28	82	Geneva	12	54	Rangoon	27	81
Baghdad	28	82	London	12	54	Seoul	27	81
Bangkok	33	91	Lyons	12	54	Singapore	27	81
Bombay	30	86	Madrid	12	54	Taipei	27	81
Buenos Aires	27	81	Moscow	12	54	Tokyo	27	81
Calcutta	33	91	Nairobi	12	54	Yokohama	27	81
Cairo	33	91	Rangoon	27	81			
Cardiff	12	54	Seoul	27	81			
Chennai	33	91	Singapore	27	81			
Colombo	33	91	Taipei	27	81			
Copenhagen	12	54	Tokyo	27	81			
Dakar	28	82	Yokohama	27	81			
Dhaka	33	91						
Dublin	12	54						
Frankfurt	12	54						
Geneva	12	54						
Hong Kong	33	91						
Hyderabad	33	91						
Jaipur	33	91						
Jakarta	33	91						
Jeddah	33	91						
Johannesburg	28	82						
Kuala Lumpur	33	91						
London	12	54						
Los Angeles	28	82						
Lyons	12	54						
Manila	33	91						
Moscow	12	54						
Mumbai	33	91						
Nairobi	12	54						
Paris	27	81						
Peking	27	81						
Rangoon	27	81						
Seoul	27	81						
Singapore	27	81						
Taipei	27	81						
Tokyo	27	81						
Yokohama	27	81						

Academic to head SEC

Continued from Page 1

This work has brought him into contact a lot with the business world. I think it'll find him quite compatible," Mr Summers added. Far from being a quiet, retiring academic, Mr Ruder is "very outgoing and ebullient."

As the author of some 40 articles on corporate and securities law, Mr Ruder's academic work over the past 25 years has covered most of the areas which fall under the SEC. He has also taught courses on such subjects as the SEC's enforcement of laws and regulations.

He is "one of the most prominent securities academics in the country," according to Mr Robert Bennett who succeeded Mr Ruder as

Northwestern's Law School dean. "He has taken a strong stand in favour of regulating insider trading" and has concentrated on other areas such as securities fraud and regulation and protection of investors.

Despite his favouring appropriate levels of regulation, his colleagues say he is at heart a liberal Republican free marketeer, a philosophy which would have helped command him to President Reagan. While some academic colleagues consider his passion for golf slightly eccentric, it will give him a further element of common ground with his new colleagues in Washington and on Wall Street.

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For further details please contact Jon Michel or Philippa Dilley (who can also be contacted outside office hours on 01-874 5891).

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Our client a major market leader in the computer software industry is seeking to recruit a confident but diplomatic fully qualified accountant to work within the International Accounting group. The successful candidate will be aged in their late 20's and ideally have a high tech company background. He/She will be responsible for providing full accounting services to subsidiaries in Europe, which will include dealing with banks and administrators. A knowledge of a European language is essential. To discuss this position further, please contact Giles Daubeney (who can also be contacted on 01-870 7197).

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INTERNATIONAL APPOINTMENTS

Top management reshuffle for American Brands

BY WILLIAM HALL IN NEW YORK

AMERICAN BRANDS, the US conglomerate products of which range from the familiar Lucky Strike and Benson and Hedges cigarettes to life insurance, padlocks and Jim Beam whiskey, has reshuffled its top management team.

Mr William J. Alley, aged 57, has taken over as chairman and chief executive from Mr Edward E. Whittemore, 64, who is convalescing following an illness earlier this month. In addition, Mr Thomas Hays, aged 52, will take over as president and chief operating officer at the end of the year following the retirement of Mr Virgilius B. Lougee III.

American Brands has been quicker to diversify outside its traditional tobacco business than its two larger rivals, RJR Nabisco and Philip Morris, and in its latest management changes it has continued to draw its top management team from outside the tobacco business which still provides two-thirds of operating income. Mr Whittemore joined the group with its 1970 acquisition of Swingline, the world's leading manufacturer of staplers, and the latest management appointments both come from companies that were acquired by American Brands.

Mr Alley was chairman and chief executive of The Franklin



Mr William J. Alley (left), who has become chief executive of American Brands, in succession to Mr Edward E. Whittemore (centre), and Mr Thomas Hays (right) who is to be chief operating officer at the end of the year.

Life Insurance Company when it was acquired by American Brands in 1979 as part of its move into the financial services arena. Mr Hays came into the group following its 1970 acquisition of The Andrew Jergens Company, which produces liquid soap and other personal care products. He became chief executive of Jergens in 1979 and moved into the group's traditional tobacco operations in 1981 when he was made an executive vice president of American Tobacco. He became chief executive of American Tobacco last year.

Mr Alley joined Franklin Life in 1967 and following its acquisition was appointed senior vice president, strategic planning, for American Brands in 1983. Two years later he became chief financial officer and in May 1987 took over as chief operating officer following the announcement that Mr Lougee, who joined American Tobacco in 1951, was planning to retire at the end of the year. The new management team is likely to continue Mr Whittemore's policy of diversifying the group away from its heavy dependence on tobacco.

Ex Italian Finance Minister joins CIR

By Alan Friedman in Milan

Mr ERUNO VISENTINI, who served as Italian Finance Minister, responsible for taxation matters, in the fallen Craxi Government, has been appointed chairman of Compagnie Industriali Riunite (CIR), one of the main holding companies of Mr Carlo De Benedetti.

The 72-year-old Mr Visentini, who is still president of Italy's Republican Party, served as chairman of the Olivetti group for a total of 17 years (from 1964 to 1974 and from 1976 to 1983). In his new role as CIR chairman, Mr Visentini will effectively be excluding himself from a Ministerial post.

CIR, which is quoted on the Milan, Paris and Brussels stock markets, is the De Benedetti holding vehicle which controls such core interests as Olivetti (office automation), Baitoni (foods), Valeo (car components) and Sasib (engineering). CIR itself is controlled by Colde, the master holding of the De Benedetti group. CIR, through its international subsidiary, also controls the Cerus Holding company in France, which is quoted on the Paris Bourse and which owns 37 per cent of Yves Saint Laurent.

Government adviser takes Matra post

BY GEORGE GRAHAM IN PARIS

MATRA, the French state-owned defence and electronics group, has turned to the ranks of the Government to find a new head for its defence and space division.

Mr Noel Forgeard, former technical counsellor to the Prime Minister on industrial questions, has joined Matra to take over the post left open by the death earlier this year of Mr Albert Costa de Beauregard after only three months in office.

Mr Forgeard, 40 years old, worked at the French Industry, Transport and Defence ministries before becoming chairman of Compagnie Française des Aciers Speciaux, the French special steels producer. He

returned to the administration last year in the Prime Minister's office of Mr Jacques Chirac.

Mr Jacques Aschenbroich has moved from Datar, the French regional development organisation, to take over from Mr Forgeard as Mr Chirac's industrial counsellor.

The appointment of Mr Forgeard is not the first time that Mr Jean-Luc Lagardere, chairman of Matra, has fished in the pool of the Prime Minister's office.

Mr Costa de Beauregard, Mr Forgeard's predecessor, had also served as economic counsellor during the Prime Ministership of Mr Raymond Barre, before joining Banexi, the investment bank.

Surprise at The Limited

BY OUR NEW YORK STAFF

THE LIMITED, the fast growing US retailing group, the success of which has been built on selling a limited range of women's sportswear, has lost one of its top two architects of its spectacular growth.

Mr Robert Morosky, aged 46, has resigned as vice chairman and chief financial officer in a move which has surprised Wall Street. Mr Morosky has been credited with building the group's efficient distribution

system and financing the group's rapid growth.

Founded in 1963 by Mr Les Wexner, 50, The Limited has become the fastest growing major retailer in the US. Since 1981 its sales have risen from \$385m to over \$3bn and net income has risen ten-fold, to \$227.8m.

Mr Morosky gave no explanation for his departure save to indicate that he wanted to try his hand at something different.

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in the UK and abroad. Some overseas travel will be involved. Salary will not be a limiting factor for the right candidate.

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The successful applicant will be mid-thirties; a Chartered Accountant, ACA or ACMA, already performing in a similar role in a Manufacturing industry environment. You will be attracted to this role by the promise of more scope, more challenge and greater responsibility.

We would expect you to be fluent in the preparation of monthly management accounts, using advanced computer technology to maintain accurate records and extract pertinent information. The departmental team is small, tightly knit, and highly professional, operating very much on a "hands on" basis.

If you are able to meet the challenge described, our client is prepared to offer a salary of c. £22,000 pa, plus a company car and a realistic range of benefits including performance bonus. Interested applicants (male or female) should write with full details of career to date, stating any companies with whom you would not wish your details discussed, quoting reference number NH1353 to:-

Nicholls Hanley
Associates Limited

Peter Hanley, Nicholls Hanley & Associates Limited, Ashley House, 30 Ashley Road, Altrincham, Cheshire WA14 2DW.

Finance Manager

West End

c£20,000 + car

Our client is one of the most successful magazine publishing companies in the UK with its leisure orientated titles being acknowledged as market leaders. Rapid growth of this newly formed division (turnover currently c£15m) has resulted in the requirement for a top flight Finance Manager who will report to and work closely with the Managing Director.

The role will be that of business organisation and responsibilities will encompass financial controls, planning, reporting and systems work. A shirt sleeves approach is vital as the environment is young, lively, fast moving and highly competitive. The appointee must have the strength of character and personality to make a real contribution to the running of the business.

Candidates must be qualified accountants, aged early/mid 20's who seek to progress and be a part of this highly successful group that has a continual programme of expansion.

Please write or telephone enclosing full resume quoting ref. 136 to: Philip Cartwright FCMA, 97 Jermyn Street, London SW1Y 6JE. Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SECTION AND SEARCH

Hoggett Bowers

Executive Search and Selection Consultants

Financial Controller

International High Technology Company
Surrey, c £35,000, Car, Equity

Our client company operates on a world-wide basis using its own advanced research facilities and contracting production when and where it is most advantageous. This is the senior financial position in the UK organisation and reports directly to the Chief Financial Officer for worldwide operations. Not only is it responsible for complete control of finance but the incumbent plays a pro-active role, integrated within the UK management team, in cost analysis of market and production opportunities and planning short and long term financial policy. The candidate appointed will be thoroughly professional and be able to prove competence from a track record of personal success. We and the client will be looking for the confidence, interpersonal skills and authority which gains and keeps the respect of dedicated and forceful colleagues. To achieve this, a degree standard education, a chartered qualification and high energy level will be sought as basics. Some national and international travel is involved and other benefits include bonus scheme and the possibility of promotion to director status once the level of contribution is proven and undoubted.

J.L. Duff, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6882. Ref: H14019/FT

Financial Accountant

A Market Leader in the UK
Central London, c £28,000, Car

A major financial institution, a leading operator (turnover £130m) in the unlisted life and pensions market has a key front-line position created by significant growth in business coupled with progressive plans for expansion. This opportunity is offered to a qualified ACA/ACCA with at least 3 years post-qualification experience with proven management skills gained in a commercial environment. Supported by a young team of 13 staff you will assume total responsibility for the production and co-ordination of the financial accounting and unit pricing operations. Additionally, you will be expected to initiate and implement effective control procedures and demonstrate an ability to contribute to the profit-making process. On a personal front, you will be an ambitious, innovative individual, aged 27-39, with the authority and personality to achieve and sustain the best results from your staff. There are generous executive benefits and genuine career prospects within the group.

B.E. Boylan, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-406 2766. Ref: H21/FT

Financial Director

Textiles
Indonesia, Very Attractive Package, Expatriate Status

A significant subsidiary of a major international textile group is looking for a Financial Director for its manufacturing operation based in East Java which is jointly owned by the Indonesian Government. Responsibilities include the day to day oversight of all financial matters; preparation of business plans and forecasts; to provide the financial interface with divisional and Group Senior Executives and to contribute significantly in the continuing profitability of the company. Computer systems knowledge is essential as a priority task will be to set up a fully integrated information system. Candidates will be 30-45, qualified accountants and able to demonstrate at senior level a solid and successful track record with a commercial/industrial concern. Very attractive benefits are offered commensurate with expatriate status including free accommodation, tax free salary, private school fees etc. The position offers real career development and after approximately 3 years other career opportunities elsewhere in the group will be offered.

J. Gull, Hoggett Bowers plc, 30 St James's Court, 30 Brown Street, MANCHESTER, M2 2JE, 061-632 3500. Ref: M16011/FT

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Jonathan Wren

FINANCIAL CONTROLLER
£40,000 to £50,000

Our client, a well established City bank, seeks a financial controller who can demonstrate a career of achievement within a banking environment. The appointment requires a strong, professional ACA/FCA for overall management of operational activities. Excellent remuneration/benefits package. Please apply in writing, with full career resume to Norma Given.

ASSISTANT TO FINANCIAL DIRECTOR
£30,000 plus car plus benefits
Major City Brokers

In order to maintain their leading edge in stockbroking this City based firm seeks to recruit an ambitious, self-motivated, professionally qualified senior accountant. The successful candidate will assume overall responsibility for the development and control of management information systems, budgetary cycles and forecasting. Aged between 27 to 35, applicants will have 2 to 3 years post-qualified experience gained in management consultancy or financial services and have the ability to manage projects from conception to implementation. Contact Ann Winder.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren

Recruitment Consultants
No.1 New Street, (off Bishopgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

COMMERCIAL DIRECTOR

UK commodity dealers

c£35,000+car+significant bonus

An attractive opportunity has arisen for a highly-motivated and commercially-minded accountant to contribute to and share in the success of this well established firm. Part of a highly-profitable group, they have a sound track record and plan to achieve a stock market listing in five years.

Acquisition will form a major part of their proposed growth, and the role of Commercial Director will involve managing and monitoring newly-acquired companies to integrate them with the company's existing operations and to identify development prospects.

The position also involves responsibility for the finance function and the incumbent will take a lead in the introduction of on-line interactive computer systems.

The role will be based in Essex and will involve about 30% UK travel.

Candidates should be qualified accountants with a strong entrepreneurial approach. They will need excellent investigative and analytical skills and should have a positive attitude to problem-solving and financial policy and strategy. Experience of a trading environment would be an advantage.

Remuneration will be in the region of £35,000+car. There will be a significant performance-related bonus and future remuneration and benefits will be designed to ensure a direct return on the Director's contribution to the business.

Please write with full career details, quoting ref B7714 to Jane Woodward.



Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR



Location Accountant

Derby based

c£23,000 + car + reloc.

Parker Hannifin is a US based multi-national corporation, and a world leader in fluid power technology. Their sales are in excess of \$300 million in Europe and nearly \$2 billion world wide. Rapid growth through product development and acquisition, together with an outstanding financial performance, provide a dynamic environment for career development.

At Derby, the Company manufactures fluid connectors and distributes products throughout Europe. They are now seeking a Location Accountant who will become an integral member of an experienced management team, and who will take total responsibility for the finance function. Reporting to the Operations Manager, the role involves responsibility for several locations and includes the provision of all financial information together with corporate

planning, budgetary control and forecasting. Fully integrated computerised systems are in place, backed up by sophisticated management techniques, including MRP II.

Candidates, aged 27-35, should be qualified accountants, educated to degree level, with a good knowledge of computerised standard costing and integrated manufacturing systems. A high level of commercial ability, with strong communications skills and a team-spirited approach, are essential. A working knowledge of a foreign language would be particularly useful.

Applicants should contact Rod Shaw quoting ref 5012 giving full details of career to date at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX, or telephone 0602 410130.



Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Director of Finance and Information

Central London
c £40,000 pa
+ car and benefits

Our client seeks to appoint a Director of Finance and Information to strengthen the senior management team of a principal hard commodities exchange.

This is a new position reporting to the Chief Executive. The postholder will be responsible for ensuring that all aspects of the organisation's accounting and information needs are effectively met through existing and where necessary new resources.

Additionally, the Director of Finance and Information will be

called upon to provide the strategic accounting advice and guidance to enable the organisation to meet the challenges of future market conditions.

Operating from the head office this role requires candidates to have at least five years successful senior management experience in a 'hands on' accounting role. Ideally, the position will suit a graduate qualified accountant who is in his late thirties or early forties and who enjoys working in a fast moving trading type environment.

The salary is negotiable around the indicator shown.

Because of the seniority of this role we will respect the confidentiality of those wishing to discuss the position further, prior to making a formal application.

Alternatively, please send a full CV quoting reference MCS/1031 to Michael Madgwick Executive Selection Consultants Price Waterhouse No 1 London Bridge London SE1 9QL

Price Waterhouse



Financial Controller

International Commodities Group

c£35,000 + car etc

The London office of an international commodities group seeks to strengthen its central management team by the appointment of a Chartered Accountant or equivalent aged 30-35.

Reporting to the group's Finance Director the immediate tasks will include the management of the accounting function, the enhancement of computerised systems and the monitoring of foreign exchange dealings.

This is a high profile role with regular contact with the directors, traders and banks.

Previous experience of a trading company, possibly within commodities, is essential as is the ability to be proactive in a constantly changing environment.

The expansion of the group and the ability to take on more of the Finance Director's responsibilities will provide future career opportunities. The package will include a car, bonus and other benefits normally associated with such a company.

Please write, enclosing a career/salary history and daytime telephone number, to John P Sleight FCCA quoting reference J/613/SF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

International Opportunities - Financial Services Sector

Internal Audit Manager

City

c. £30,000 + excellent benefits

Our client, a dynamic financial services group is poised for yet further expansion in this exciting sector. With a full Stock Exchange listing, principal activities include investment management, on shore and off shore banking and trust management. Current plans include further overseas acquisitions.

Reporting to the Chief Executive you will have an exciting challenge - setting up the internal audit function and providing high level business review services across the group's activities. International travel will take you to North America, Europe, Bermuda and the Bahamas.

You will be a Chartered Accountant in your late twenties/early thirties with Audit experience preferably gained with one of the Big Eight. Financial Services experience would be an advantage. You will be ambitious, energetic and possess a high degree of professionalism.

The exceptional remuneration package includes share options and subsidised mortgage. Excellent career prospects will give you the opportunity to move into an operational role.

Please reply, in confidence, to Alison Hawley quoting reference 5011/FT on both envelope and letter.

Deloitte Haskins & Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

FINANCIAL CONTROLLER

W. LONDON

£30,000 + Car + Bonus

A highly autonomous part of a blue-chip PLC, this national retail chain has a turnover of c.£150m and a record of innovation, growth and profitability. Ambitious sales and marketing policies have led to a sweeping re-organisation, and this new Head Office role is to be instrumental in focusing attention on key issues in future development.

Reporting to the Finance Director and managing a small finance function, this key role embraces monthly accounting, statutory accounting and capital expenditure appraisal as well as financial forecasting and systems review. As the principal liaison point between operating divisions and the Main Board, both reporting and interpreting information, the role provides crucial support for commercial decision making.

This position is envisaged as a stepping stone into general management.

Candidates will be qualified accountants aged 30-40, a developed business orientation being as important as technical ability. The remuneration package will include fully expensed car, BUPA, contributory pension and participation in the senior management bonus scheme.

Please apply directly to Greg Ripley at Robert Half, Freepost, Roman House, Wood Street, London EC2B 2JQ. Telephone 01 638 5191.

ROBERT HALF

FINANCIAL SERVICES SPECIALISTS
LONDON BIRMINGHAM WINDSOR MANCHESTER NEW YORK & OTHER CITIES WORLDWIDE

Head of Finance and Accounting

London

c£30,000 + Executive Car

Our client is a highly successful Plc in the retail sector with a turnover approaching £500 million.

Reporting to the Finance Director you will be one of the senior members of the group's management team with responsibilities which include financial planning, financial reporting, treasury and taxation matters. You will operate in an extensively computerised environment and will be supported by a staff of one hundred.

The successful candidate will be a graduate chartered accountant, probably aged 30-40, with significant staff management experience and well developed inter-personal skills.

If you are interested in this position and are prepared to commit yourself to the continued success of the company then send your curriculum vitae and telephone number to Jon Anderson ACMA, Executive Division, at 39-41 Parker Street, London WC2B 5LH, quoting ref. no: 425.



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Daniel Berry
Ext 3456

David Rhodes
Ext 4676

Tessa Taylor
Ext 3351

ASSISTANT ACCOUNTANT BANKING

c.£18,000 + Banking Benefits

The Organisation:
An English-registered International Bank established in the City since 1919, situated in prestigious new freehold premises.

The Job:
The post of Assistant Accountant presently carries responsibility for the production of Budget reports, VAT and Income Tax returns, the development of a cost accounting system and monitoring of the Bought Ledger system. Following an internal reorganisation, the post is to be revised to incorporate the production and development of both Management and Statutory Accounts and new accounting systems to cater for new areas of business. The post-holder will work with the Deputy Manager of the department and report directly to him and the Manager.

The Requirements:

- A Chartered Accountant.
- Experience in the banking industry either gained with an International bank or within the bank audit department of a large accountancy firm.
- good communications skills and the ability to operate without close supervision.
- experience with micro-computers, whilst not essential, will be a definite asset.

The Benefits:

Include subsidised mortgage and low interest personal loans; non-contributory pension scheme; free medical insurance.

If you believe you have the background and ability necessary for this position, please send a comprehensive c.v. to: Mr. J. Glover, Personnel Manager, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS. Alternatively, if you wish to learn more about this position telephone Don Fitzgerald, Deputy Chief Accountant & Manager, Accounts Department on 01-623 2066.

WE'VE SUCCEEDED IN TURNING YOUR HEAD...ARE YOU CONFIDENT IN YOUR ABILITY TO TURN OURS?

major organisation study, a management information system, or a profitability review for a bank, venture capital company or newspaper publisher.

On the other hand you may be involved in a privatisation study or a review of a merger or acquisition. The permutations are endless but without exception provide the challenge and stimulus for your developing intellect and the momentum to maintain your upward progression.

Touche Ross
Management Consultants

Now that we have given a new slant to these crowded advertisement pages we feel compelled to tell you, a **QUALIFIED ACCOUNTANT** or **MBE**, about the management consultancy opportunities currently available with Touche Ross.

As an ambitious 28-35 year old, with a good degree and several years' successful industrial or commercial experience, isn't it time you broadened your career into the sharp end of business decision making? Putting our natural modesty to one side for a moment, there is probably nowhere better to achieve your goals than with Touche Ross Management Consultants. Following an initial training period you could, for example, be working as part of a team advising on a

Firstly though, you will of course need to show us a successful record of problem solving achievement, supported by a positive personality and a strong commitment to work excellence in a team environment. Quickly demonstrate these qualities in an informal and confidential meeting and you can rest assured that our head will be very much turned in your direction.

Starting salaries are negotiable to around £35,000 and a company car comes too. Interested? Then please write (horizontal fashion preferred) with full CV to: Michael Hurton (Ref. 4001), Touche Ross & Co., Thames Inn House, 3-4 Holborn Circus, London EC1N 2HR. Tel: 01-353 7361.

DEPUTY MANAGER INTERNAL AUDIT DEPARTMENT

c.£25,000 + Banking Benefits

The Organisation:

An English-registered International Bank established in the City since 1919, situated in prestigious new freehold premises.

The Job:

In addition to the supervision of the internal audit function, the job includes:

- the introduction of new techniques within the department.
- the planning, scheduling and execution of audits throughout the bank.

The Requirements:

- Minimum 6 years auditing experience, of which a considerable proportion on audits within the banking sector, gained either within the profession or in the internal audit department of a bank.
- Chartered Accountant.
- Degree standard, preferably in a relevant subject.

The Benefits:

Include subsidised mortgage and low interest personal loans; non-contributory pension scheme; free medical insurance.

If you are interested in the above position and meet the stated requirements, please send a comprehensive C.V. to: Mr. John Glover, Personnel Manager, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS. Alternatively, if you wish to learn more about this position telephone Mike Ring, Internal Audit Manager on 01-623 2066.

Chief Financial Officer

Young High Technology Operation

South Wales to £25,000 + car

Situated on the edge of an area of outstanding beauty in South Wales, this ambitious and well-financed company, formed in 1985, has established a sophisticated manufacturing operation; unique in Europe, the products supply the international computer substrates market. Current turnover is around £4 million and this is expected to double in the next financial year.

In this newly created post, reporting to the Managing Director, you will play a key part in the business by providing full financial support; you should be adept equally at designing, implementing and introducing manufacturing costing systems as you are in presenting the company to the City and dealing with foreign exchange,

treasury and development grants.

A well qualified Accountant with strong business awareness, you will be familiar with computerised accounting systems and will have well-developed financial and management experience, gained in a manufacturing environment. The degree of success of this impressive organisation through a period of dramatic and sustained growth will depend upon your professional skills; the remuneration, therefore, reflects the importance of attracting a particularly high calibre individual with the determination to succeed in a most challenging position. Telephone for an application form or, preferably, send your CV quoting Ref: 1535/PB/FT to PA Personnel Services, at the address below.

PA

PA Personnel Services

Executive Search • Selection • Psychometrics • Remuneration & Personal Consultancy

St Brandon's House, 29 Great George Street, Bristol BS1 5QT.
Tel: 0272 298204

HEAD OF INTERNAL AUDIT

Up to £29,680

This London-based post carries overall responsibility for internal audit functions within the Property Services Agency including overseas regions and the Crown Suppliers.

The role of PSA is to provide, manage, maintain and furnish the property used by the Government, at both defence and civil establishments. The Agency has a "turnover" approaching £3b per annum and a staff of some 25,000. A wide experience and a successful track record in the systems-based audit approach, together with a recognised CCA3 qualification is essential. Membership of the Institute of Internal Auditors would be an advantage.

Salary from 1 September 1987: £26,230 - £29,680. Starting salary may be above the minimum.
For further details and an application form (to be returned by 9 July 1987)

write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote ref: G/7248.

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PSA

**PROPERTY
SERVICES
AGENCY**

Financial Accountant - Company Secretary

Light Engineering/High Technology

S. London

c.£20,000 pa + bonus & company car

A small but highly innovative and growing electronic and engineering group (7/0 c.c.) now needs a Financial Accountant to assume responsibility for the full range of financial accounting and management control systems. This is a role for a lively, innovative and "shirt-sleeved" accountant who will:

- Monitor and maintain existing computerised financial and management accounts and budgets.
- Prepare and monitor cash flow projections
- Initiate and develop improved costings for the associated companies
- Monitor costs to meet the Group's product development strategy
- Handle all statutory returns and legal matters.

Candidates, aged 30+, will be qualified CA, ACA, ACCA or AICPA. They must have gained not less than 6 years' relevant experience in a manufacturing environment - preferably in broad based light engineering.

Please apply in the first place to Paul Sinha (Director), Sinclair Associates, Speldhurst, Britains Lane, Sevenoaks, Kent, TN15 2NG. Tel: 0732 450205 quoting ref. no. 5425.

Sinclair Associates
Management and Personnel Consultants
London - Sevenoaks - Kettering - Cambridge

Management Accountant

Up to £18,000 + Car

Home Counties

Our client is a leading retail organisation. Their continued growth and determination to increase efficiency still further has led to the creation of new roles at their major distribution centres in the Home Counties.

Reporting directly to the Distribution Centre Manager, you will provide a comprehensive management accounting service, analysing and interpreting a wide variety of financial information concerning every aspect of the Centre's operation. You will head up the Centre's finance department and, as a member of the site management team, be expected to make an active contribution to the cost-effectiveness of the operation.

A qualified accountant, probably CIMA, you will need to combine a high level of technical ability with strong interpersonal skills. It is unlikely that anyone under the age of 27 will have the commercial experience or the maturity essential to influencing management decisions.

In return, a salary in the region of £18,000 is offered together with an extremely attractive range of benefits, including a Company car.

If you're looking for a high-profile position with plenty of potential for career development, please write with full details. These will be forwarded direct to our client. List separately any companies to which your application should not be sent. N. S. Holter, ref. NH/89/1.

MSL Advertising
52 Grosvenor Gardens, London SW1W 0AW.

MSL Advertising

Computer Audit in International Banking.

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up to £37.5K**

**[£25.5K salary
+ allowances & benefits]**

**Qualified
Accountants**

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Opportunities
exist for
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A critical role at a time of global systems development

Our client has built a deserved reputation as one of the world's major international banks.

Now they're building an advanced global systems infrastructure... a 5-year, multi-million programme of development and integration on IBM architecture which puts them firmly in the vanguard of banking technology.

A senior appointment is to be made within the bank's International Audit Team, located in London, to review all developments. This appointment promises a new challenge to a qualified Accountant with a proven track record in reviewing applications systems - preferably on IBM mainframes within a banking, consultancy or accountancy practice.

The role gives you responsibility for ensuring standards and quality of control, security and documentation of new and existing systems, whether developed in-house or acquired off the shelf.

The generous rewards package reflects the level of challenge involved and the calibre of talent needed. In addition to a competitive salary, a range of allowances, bonus scheme and loan facilities plus subsidised mortgage, profit sharing, non-contributory pension and health and accident insurance make up this attractive package. Assistance with relocation will be available for suitable candidates. For an initial, informal discussion call John Miskelly on 01-831 0111 during office hours. Alternatively, write to him with your CV at: JM Management Services, Columbia House, 69 Aldwych, London WC2B 4DX. (Ref: 380)

**JM MANAGEMENT
SERVICES**

IRVING TRUST INTERNATIONAL LIMITED

Accounting Manager — Securities

City

Salary Negotiable

To accommodate the expansion of our business activities we are seeking to fill this newly-created position.

The Accounting Manager will head up a team responsible for the financial activities of Irving Trust International Limited (ITIL), the UK incorporated securities subsidiary of Irving Trust.

The successful candidate will be a graduate, qualified accountant, ideally aged 28-35, committed to high personal and professional standards and possess well developed interpersonal skills. An understanding of capital markets and the securities industry is essential.

To reflect the seniority of this position, an appropriate salary and benefits package is available.

Interested candidates should write to:

Andrea J. Williams
Personnel Manager
Irving Trust
36-38 Cornhill
London EC3V 3NT



Irving Trust

International Banking

PROJECT ACCOUNTANT

International bank based in London and active in both investment and commercial banking seek a newly qualified Chartered Accountant to be involved in the project work from inception to completion plus aspects of Financial Control duties. SALARY: to £18,000 plus benefits.

ASSISTANT CHIEF ACCOUNTANT

European bank of high standing seek a person aged 25-35 offering either an accountancy qualification or an appropriate banking/finance background. Varied duties and responsibilities will include financial accounting, projected loss assignments, system development and will also require supervisory ability. SALARY: to £20,000 plus benefits.

FINANCIAL ANALYST

World ranking U.S. bank have a vacancy for a newly qualified ACA to undertake a wide range of responsibilities including budgeting, financial reporting, analysis of proposals/strategies and co-ordination of financial activities. First class career opportunities plus excellent salary and benefits package for the successful candidate. SALARY: to £24,000 plus benefits.

**BANK
RECRUITMENT
CONSULTANTS**

MANAGER — ACCOUNTS

A British bank involved in International Merchant Banking requires a Chartered Accountant with at least three years' relevant experience to manage and control the Accounts Department. The position will carry full delegated responsibility and provide ample opportunity for effective contribution to the department. SALARY: to £25,000 plus benefits.

CORPORATE/PROJECT FINANCE

A first class European bank of fine reputation seek a newly qualified graduate ACA with experience of financial services companies. The duties will comprise research, evaluation and business development requiring a practical and self-motivated person ambitious for a rewarding career opportunity. SALARY: £220,000 plus benefits.

INTERNAL AUDITOR

A relevant position within a truly progressive British bank involved in extensive international business. Suitable candidates will be either newly qualified ACA/ACCA or part qualified/fully trained and have previously gained direct auditing experience in the financial sector. SALARY: £220,000 plus benefits.

57/59 LONDON WALL
LONDON EC3M 8TP
TEL: 01 628 7501

Gordon Brown

Shaping the Future

Financial management in
Royal Mail Parcels

c £19,000 plus bonus

If you can bring about change, if you can control events and if you can manage and influence people, then we need you to help shape our future.

We are strengthening our financial management and we are looking to appoint two qualified accountants to take charge of the finance function of the London Overseas Mail Office based in West Ham and of West London Parcels District Office based in Brent Cross.

Our aim is to develop new financial management information and control systems to aid the successful management of these units. Can you help us to meet this challenge?

You will work as an integral part of the management team and you must have the ability to manage and motivate your finance team.

You should be a qualified accountant with at least 3 years post-qualification experience with a major industrial or commercial organisation and you should have a proven track record of working effectively with senior managers in other disciplines.

Starting salary will be between £18,000 and £20,000 (which includes a London weighting allowance). There is an excellent leave allowance and a contributory pension scheme. Assistance with removal/relocation expenses will be given in appropriate cases.

For further details and an application form write to: Diane Renham, Ref FM/PT, Room 511, Royal Mail Parcels Headquarters, 33 Grosvenor Place, LONDON SW1X 1PX or telephone our answering service on 01-245 7760.

Completed applications should be returned to the same address by 26 June 1987.

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Our business is your future

Management Accountant

£20K + Car

London

To support an ambitious store development programme of up to 20 new Sainsbury's stores a year we have recently created a new development-devoted Financial Control Department within our London-based Development Division. This is a brand new role for an accomplished Management Accountant to head the management accounting section of this Department.

Providing appropriate and timely financial information to divisional management will be achieved through the design, development and enhancement of management reports. This will demand an innovative and creative approach particularly in working with DP professionals to generate new information systems. Effective control of a team of two assistants should ensure accurate budgeting, forecasting and cost monitoring on a period basis for large capital expenditures.

A qualified accountant, aged around 27 to 35, your post qualification experience in a large organisation should preferably include capital expenditure control or exposure to a property development environment. Of great importance also, will be your ability to operate effectively under pressure, your skills in influencing non-financial project management teams and your commitment to developing both the role and the Division.

Success will lead naturally to career progression either within Store Development or into other business areas. The salary is supplemented with a company car and the benefits you would expect from one of the UK's most successful retailers including relocation assistance where appropriate.

Please write with full c.v. to Mrs S. D. Tasker, Recruitment Officer, J Sainsbury plc, Wakefield House, Stamford Street, London SE1 9LL. Tel: 01-921 6104.

SAINSBURY'S

ACCOUNTANT

W1

EXCELLENT PACKAGE

An exciting opportunity has arisen for a qualified accountant with approximately 2 years post qualification experience to join one of the world's leading oil companies. Although US owned the UK operation is autonomous and the company ranks in the top 10 companies operating in the North Sea. The position carries the responsibility for ensuring that the accounting for elements of these North Sea operations is efficiently and accurately performed.

The company has performed well over the last two years despite the difficult market conditions and is exceptionally well-placed to take full advantage of current improvements. Recent tenth round allocations secure an extremely active and optimistic future for the company. The growing Finance Department reflects the aggressive, fast-moving culture of the organisation where demands made on the individual closely match the prospects and rewards offered in return. The existing high level of commitment generated throughout the department has developed a strong team spirit despite the changing shape of the Group.

The post will be attractive to an individual seeking advancement in an exciting environment. Knowledge of the oil industry is not essential. The role calls for good analytical and interpersonal skills as well as a flexible and innovative approach. Experience in the use of computers in an accounting environment would be an advantage.

An excellent benefits package includes competitive salary, non contributory pension, subsidised medical insurance, 5 weeks holiday etc.

For further information please write to Jo Cutmore at Jamieson Scott quoting reference 7251 enclosing details of your career to date.

Jamieson Scott
MANAGEMENT SEARCH

110s Avenue House, 6 Uxbridge Avenue, London EC3N 3AX.

Accountancy Personnel

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N.E. London £25-£30,000 & Car

Operating from a number of prime sites in London, our clients benefit from the resources of one of the world's leading car manufacturers, who together with the company's ambitious management are creating a high profile and prestigious dealership.

This is a new appointment, to add financial expertise to the talented executive team and the role necessitates a flexibility in approach to combine the day-to-day management of the finance function and development of computerised systems whilst actively participating in the commercial management of the company.

Ideally aged 30-50, applicants should be qualified accountants with experience of the motor industry. Applications which will be treated in the strictest of confidence should be sent to our consultant Gordon Montgomery. Alternatively, telephone him for an early appointment.

For further details please contact:
Gordon Montgomery,
Accountancy Personnel,
63-65 Moorgate,
London EC2R 6BH.
Telephone: 01-638 3885

FINANCE & ADMIN DIRECTOR

New Barnet
Herts.

c£25k
plus
substantial benefits
incl. profit sharing.

Have you reached a point in your career where you are able to take advantage of a rare opportunity leading to an early Board appointment and eventual shareholding within a long established, profitable and rapidly expanding company?

Probably in your early 30's; with excellent professional qualifications; a strong commercial orientation and significant computer and systems literacy, you would positively enjoy the creative and demanding position as a key member of the four man top team responsible for making the decisions as well as implementing them!

The position demands inspired management and leadership qualities combined with sound administrative and professional skills.

Our current turnover of £3.5m is based on an enviable reputation for supplying, servicing and financing specialised commercial catering equipment throughout the UK. We are strategically placed to grow both internally and by acquisition within a solid expanding industry and from our own secure financial base.

If you believe you have the qualities to fulfil this role please write in confidence enclosing full personal and career details including your current job responsibilities and level of remuneration to:

M. Chanarin, Managing Director, Euroelectrics Limited,
International House, 67 Lancaster Road, New Barnet,
Herts EN4 8AS Telephone: 01-441 4000

DIRECTOR FINANCE AND ADMINISTRATION

Thames Valley c.£30,000 + Car + Substantial bonus

Our client's business is the assembly, distribution and sales of item processing equipment used by banks and similar institutions. The company is US-owned, highly successful and a world leader in its field. UK turnover is around £8m and increasing quickly.

The director will have considerable involvement in the overall commercial development of the business including a small German subsidiary, and manage the accounts and administration department.

The ideal candidate will be a qualified accountant, aged 30 to 45 with broad-ranging finance experience gained in a medium-sized, US-owned organisation and be familiar with working with tight deadlines. Management experience at senior level is essential.

Please send brief personal and career details to Carrie Andrews, ref F/087/A, Ernst & Whinney, Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7BU.

EW Ernst & Whinney

FINANCE DIRECTOR

Construction

Hampshire

c.£30,000 + Share option
+ car + Pension

Our client is a publicly quoted property developer and construction company with primary interests in London, Southern England and Wales. Current turnover is in excess of £30m. The increased level of business achieved in the last two years together with further planned expansion has led to the need for a Finance Director to be appointed for the Construction Division.

Reporting to the Chief Executive responsibilities will include all financial aspects of the business in addition to the development of financial recording and reporting systems.

The ideal applicant, aged 30-40 will be educated to degree level, professionally qualified and will have had experience in the construction industry, preferably within a large organisation.

Applicants should send a detailed cv in confidence to:-

John Wilcox-Jones MSc FCMA
Haines Watts Recruitment Services
Palladium House, 1-4 Argyll Street, London W1V 1AD

Haines Watts Recruitment Services

HW

Financial Director

North West

to around £40,000 + bonus and equity

This is one of those very rare opportunities to join a company at a critical point in its progress, to be a major influence on the next stages - and to reap the rewards of success.

Turnover is £35million and rising fast; the company is a leader in a dynamic and fiercely competitive consumer market.

There is scope for organic growth (new markets, stronger territorial presence) as well as acquisition and diversification.

Backing and funds are available; the goal is a diversified group and a public flotation.

The Financial Director's role covers all financial and secretarial matters - from cash to computers, treasury to trade marks.

It is very much at the heart of the business and its future.

Candidates, male or female, must be FCA, age early 30s to around 40. They must already be at Director or Controller level in a business of at least comparable size to our client's, ideally consisting of several units.

They must be independent-minded professionals with business nous and total commitment.

Salary negotiable to around £40,000 plus performance-based bonus; equity will be available on attractive terms. Benefits include car, health insurance, relocation help to Manchester area if needed.

Please send career details - in confidence - to D. A. Ravenscroft.

Ravenscroft & Partners

Search and Selection
20 Albert Square, Manchester M2 5PE

Financial Analyst

International Headquarters role in a fast moving
Consumer Business

C.London

c.£25,000

My client, a subsidiary of a major US multi-national, is a market leader in a consumer market characterised by high natural pace. The London office provides a comprehensive financial service across the company's worldwide business which is organised through subsidiaries and licensees covering territories in Europe, Middle and Far East and the Pacific regions.

Your responsibilities, as part of a financial planning and analysis team, will be to provide high quality information to senior management and at the same time support and guidance to operating subsidiaries, particularly the smaller organisations whose finance staff resources are less extensive. Your role will focus on financial reporting, management accounting consolidations, budget preparation, forecasting, interpretation of results and a variety of ad hoc analyses and investigations.

The post should be attractive to qualified accountants in their late 20's or early 30's who offer well developed communication skills and a high standard of computer literacy.

The post carries a fully competitive range of employment conditions. Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 761.



Johnson Wilson & Partners
Management Recruitment Consultants

MANAGEMENT CONSULTANCY

We require qualified accountants under 30 years of age to join our team. Experience in financial systems, computer consultancy and investigations a necessity.

The work is varied and challenging - the clients commercial and demanding.

You must be highly motivated, creative and ambitious. A salary package is offered that will match your ability and experience with early promotion prospects.

Please write enclosing full c.v. with a recent photograph to:

P.E.G. Management Consultants
54 Welbeck Street
London W1M 7HE.

P.E.G.
MANAGEMENT
CONSULTANTS

AMBITIOUS ACA - MANAGEMENT ACCOUNTANT

£14,000 + BONUS AND BENEFITS

We are seeking a young, recently qualified accountant who wishes to gain valuable experience with a fast growing public company, current annual turnover £36m. He or she will be working closely with the two FCAs and an ACA together with a number of divisional accountants, who make up a well balanced financial force. The newly created position will prove most interesting and apart from the salary, there is a substantial bonus scheme in being, plus other health and pension benefits. Above all we guarantee a happy working environment.

Write to:

David Gillett
Group Financial Controller
BRASWAY PLC

All Saints Road, Wednesbury, West Midlands WS10 9TS

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING
A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expert Service, 32 Saville Row, London, W1. Tel: 01-734 3879 (24 hours)

Connaught

K SHOES**Finance Director
(Designate)****Lake District****to £28,000 + Bonus + Car**

Our client, K Shoes, is the highly profitable, household-name manufacturing and retailing subsidiary of one of the UK's leading footwear groups. With a t/o of £90m and a history of successive record profits, they are committed to continued expansion, both organically and by acquisition.

Internal promotion has created the requirement for a Finance Director (Designate), who will assume total responsibility for the Company's finance, data-processing and Company Secretarial functions. The successful applicant will be expected to contribute to the company's future success by exercising stringent control over the

cost base, maximising the effective use of financial resources and providing creative commercial input. Candidates, aged 35-50, should be qualified accountants, with a strong background in technical accounting and systems development, together with a strong personal presence and commercial awareness. Comprehensive relocation facilities are available where appropriate. Interested applicants should contact Stephen Banks ACMA, quoting ref. 7091, on 061-228 0396, at Michael Page Partnership, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

**Michael Page Partnership**

International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Appointments**Advertising**

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call:
01-248 8000

Daniel Berry
Ext 2456

David Rhodes
Ext 4676

Tessa Taylor
Ext 3351

RECRUITMENT CONSULTANTS**London****c £25,000 + car**

Touche Ross Management Consultants, one of the fastest growing parts of a leading UK accountancy practice, owes its success to the quality of the people it employs and the emphasis it places on their continuing development.

The Executive Selection Division carries out recruitment assignments at senior level in a variety of disciplines including general management, finance, IT, production, sales, marketing, personnel and administration. Clients range from small private companies to major multinationals and cover all sectors of the business world.

The additional consultants we now seek will take full responsibility for all aspects of their assignments. Whilst candidates will ideally have broad recruitment experience with a financial bias, equal importance will be placed on personal qualities such as the ability to relate to clients and develop additional business.

Please telephone to discuss or send a career résumé, including salary history and day-time telephone number, quoting ref: 2795 to Graham Perkins.

Touche Ross
The Business Partners

Thames Inn House, 3/4 Holborn Circus, London EC1N 2HR. Tel: 01-353 7361.

Financial Controller**Isle of Wight****c. £20,000 + bonus + car**

Our client is a £10 million turnover subsidiary of a major U.K. Group and a market leader in the design and manufacture of air conditioning and refrigeration systems.

As a result of internal reorganisation they now seek to appoint a Financial Controller. Reporting to the Managing Director, you will be responsible for the financial accounting and company secretarial functions with particular emphasis on financial reporting, planning and forecasting, systems development and project work. You will also be expected to become fully involved in all aspects of the company's affairs as a member of its senior management team. Suitable candidates, age 28-35, will be

qualified accountants, with an excellent track record gained in the manufacturing industry. Well developed communication skills, a strong personal presence and commercial awareness are essential qualities for this demanding role.

The company offers an attractive package including bonus, company car, pension scheme, and private medical care. Assistance will be provided with relocation expenses where appropriate.

Interested candidates should write enclosing a comprehensive curriculum vitae to Mark Carrihan ACA at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor, SL4 1BG quoting reference SV 1056.

**Michael Page Partnership**

International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

IMRO
IMPROVE YOUR CITY PROFILE

IMRO is not another layer of bureaucracy, a jungle of red tape or a routine auditor of standard procedures.

IMRO is a collection of highly motivated professionals undertaking an entirely new role in the UK investment sector.

IMRO now seeks top calibre, recently qualified ACA's with an interest in the City and a wish to fulfil their executive potential in an

investigative role. Ability to operate effectively in an environment of constant change is essential.

IMRO offers competitive City salaries plus mortgage subsidy, along with the challenge and profile normally associated only with senior management positions.

For further information please contact Nick Root on 01-404 5751 or write enclosing a comprehensive CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strict confidentiality assured.

**Michael Page City**

International Recruitment Consultants - London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

GRAND METROPOLITAN**....adding value****Management Accountant circa £21K + Car**

Grand Metropolitan is a world leader in the provision of consumer products and services in the food, drink, hotels and personal service sectors. In 1986 the company reported its twelfth consecutive year of profit growth. With turnover in excess of £5 billion and profits up to £367 million, the company looks forward to further growth in each of its very competitive international markets.

Planned reorganisation within the corporate head office in Central London has seen the creation of an exciting opportunity for a young and ambitious Accountant. As part of a small and close-knit team the successful candidate will play an important role in the improvement and enhancement of the Group's PC-based management information systems to meet the needs of the growing business. He or she will also be involved in the preparation and review of Group results, forecasts and plans, and

in the preparation of reports for senior management. The position will have a high profile and it is envisaged that it will lead to rapid advancement within the Group.

Applications are invited from qualified accountants with experience of sophisticated management information systems within a large company environment. A good working knowledge of PC-based systems, preferably IBM PC and Lotus 1-2-3, is essential.

If you feel you have the ambition, flexibility and highly developed communication skills essential for this role, please telephone David Northmore on 01-831 2000 or write to him at 39-41 Parker Street, London WC2B 5LH quoting Ref. 2088.

**Michael Page Partnership**

International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

**London—
Brussels****ACCOUNTANTS**

An international financial services company with offices in six countries, and a Group headquarters in Brussels requires to appoint two qualified Accountants, one for London and the other for Brussels.

The Group has a planned aggressive expansion programme which has given rise to these vacancies. Aged 28-35 they should have worked in a financial/commercial business environment.

An attractive package is offered.

Write Box A0589, Financial Times, 10 Cannon Street, London EC4P 4BY

Bayer UK Limited is part of the international Bayer Group, manufacturing and marketing a wide range of products in the industrial, agricultural, pharmaceutical and consumer fields.

Due to continued growth, our Finance and Administration Division now needs:

**TWO YOUNG
QUALIFIED ACCOUNTANTS**

Reporting to the Financial Accountant you will be involved in a broad spectrum of accounting activities, ranging from the preparation of accounting statements to the further development of internal controls and systems.

These new posts call for Chartered or Certified Accountants with experience in consolidation of accounts. You should also have experience of working both with mainframe computerised systems and P.C.s. You will also be expected to liaise with Customs and Excise, external auditors and Bayer AG audit team.

Judgement, good interpersonal and interpretive skills, accuracy and integrity complete the qualities you will need in either of these exciting, high profile positions.

You can look forward to considerable further career prospects within Bayer, as well as a highly attractive salary and benefits package including a contributory pension scheme, free life assurance, and subsidised BUPA. Relocation assistance will be given where appropriate.

Please send for an application form if you are interested in the position to Carole Swetenham, Bayer UK Ltd, Bayer House, Strawberry Hill, Newbury, Berkshire RG13 1JA.

Bayer
Improving the quality of life.

**Divisional Controller****Package c£25,000 + car**

Filtrona International is a major international division of the successful Bunzl Group and is organised into three separate business areas covering filter products, instrumentation and plastics and packaging. With operating companies worldwide, the division is currently engaged in a significant acquisition programme to further develop its activities as a major profit contributor to the Group.

Reporting to the Divisional Finance Director, the Controller and his/her small professional team will be responsible for reporting procedures and other financial activities of the division including the management of foreign exchange exposure as well as special projects and detailed involvement in the acquisition programme.

Applicants should be graduates, preferably ACA, with training in one of the top eight audit firms, as well as post-qualification experience in a large industrial organisation. A working knowledge of computers and experience of financial modelling techniques is called for. Some overseas travel will be required.

The remuneration package will include a company car, incentive bonus and the usual fringe benefits associated with a progressive company. Filtrona International is located in prestigious new offices in Harpenden, Hertfordshire.

Applications to:-

A. S. Knighton, Group Personnel Manager

BUNZL PLC

Friendly House, 21-24 Chiswell Street

London EC1Y 4UD

FINANCIAL CONTROLLER

EXCELLENT CAREER PROSPECTS
SOUTHAMPTON In excess of £20,000 + car

Our client is a rapidly growing specialist distribution company. They have recently completed a major acquisition which has resulted in the need to recruit a financial controller.

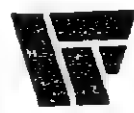
You will be an ambitious qualified chartered accountant probably aged 28-35. You will be self-confident, energetic, but tactful, and have considerable initiative and energy coupled with the ability to communicate at all levels with a "hands on" management approach. Further growth with the emphasis on acquisition is forecast. In-depth investment appraisal experience would, therefore, be an advantage but not essential.

Reporting to the management director this is seen as a positive development role with excellent career prospects. You must, therefore, be able to display not just an impressive track record to date but the motivation and ability to progress quickly.

You will be responsible for all aspects of financial control. An immediate priority will be for you to upgrade the financial and management information using computer based systems. Previous computer experience is therefore a must.

This is a tremendous opportunity to join an expanding group at an early stage in its growth.

Please write with full career and personal details to:
David W. Briggs
LIVINGSTONE FISHER ASSOCIATES LTD
Management Consultants, Acra House, 88/76 Long Acra
London WC2E 9NW

**Appointments Wanted****CONSULTANT
CONTRACTING**

British Chief Executive with extensive and varied contracting experience in Europe, U.S.A. and Middle East, available for consulting assignments on full or part-time basis. Excellent negotiating skills. French spoken. Engineering, Marketing and Business Administration qualifications.

Write Box A0591, Financial Times, 10 Cannon Street, London EC4P 4BY

**FCMA FCIS
Consultant**

(Age 42 years)

With broad industrial and commercial experience including Finance Director of quoted plc is seeking challenging consultancy projects/positions and business planning/financial and general management/research assignments.

Write Box A0593, Financial Times, 10 Cannon Street, London EC4P 4BY

Are you outstanding?**Financial Controller****Excellent package Based in the West Midlands**

We are a firm of executive search consultants. We have been assigned by a client to locate an exceptional financial controller to work within a key division of the company. Our client is one of UK's leading food manufacturers. The company operates in an exciting fast moving environment, achieving 25% growth last year. This naturally creates the need for ever changing controls and techniques.

Do you have the following qualities?

- ★ High level of intellect;
- ★ Impeccable financial skills;
- ★ Well developed communication skills, decisiveness, tenacity and the will and character to achieve results;
- ★ The ability to demonstrate considerable achievements in your career to date?

Are you interested in

- ★ A position that will stretch your intellectual and physical capabilities;
- ★ Broadening your experience in a competitive and professional environment;
- ★ The opportunity to progress into general management or on to more senior financial positions, either in the UK or abroad?

Rewards

The Company envisages attractive rewards packages for talented individuals and the salary offered will not be a barrier to successful appointments.

Please write in complete confidence to Joanna Man, Ely House, 37 Dover Street, London W1X 3RB or telephone for further details on 01-409 1343.

GROUP DIRECTOR OF FINANCE

North West

Our client is a growth orientated group of companies in the construction industry with property development interests. The company is engaged in substantial projects throughout the UK and overseas and expects turnover to be £30 million in the current financial year.

The Chief Executive of the group has ambitious plans for expansion and during the last six months has made a number of key appointments to strengthen the management team. A Group Director of Finance is now required to join the main Board of the company and provide financial and commercial support to the Chief Executive.

This role will involve exercising strong financial control over the group's activities, developing the use of computer systems in the group and performing

Negotiable c.£35,000 + car

financial appraisals of new development schemes and potential acquisitions.

Applications are invited from ambitious qualified accountants aged between 35 and 45. Candidates, who will be fully conversant with computers, should ideally have held a senior financial position in the construction industry.

The benefits package reflects the importance of the position and will include performance related bonus, fully expensed executive car, private health scheme and help with relocation if appropriate.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting reference 2796 to John Scarisbrick, Executive Selection Division.

Touche Ross
The Business Partners

P.O. Box 500 Abbey House, 74 Mosley Street, Manchester M60 2AT. Tel: 061 228 3456.

Bayer UK Limited is part of the International Bayer Group, manufacturing and marketing a wide range of products in the industrial, agricultural, pharmaceutical and consumer fields.

Due to continued growth, our Finance and Administration Division now needs:

TWO YOUNG QUALIFIED ACCOUNTANTS

Reporting to the Financial Accountant you will be involved in a broad spectrum of accounting activities, ranging from the preparation of accounting statements to the further development of internal controls and systems.

These new posts call for Chartered or Certified Accountants with experience in consolidation of accounts. You should also have experience of working with both mainframe computerised systems and P.C.s. You will also be expected to liaise with Customs and Excise, external auditors and the Bayer AG audit team.

Judgement, good interpersonal and interpretive skills, accuracy and integrity complete the qualities you will need in either of these exciting, high profile positions.

You can look forward to considerable further career prospects within Bayer, as well as a highly attractive salary and benefits package including a contributory pension scheme, free life assurance, and subsidised BUPA. Relocation assistance will be given where appropriate.

Please write or telephone for an application form if you are interested in the position to Carole Swettenham, Bayer UK Ltd, Bayer House, Strawberry Hill, Newbury, Berkshire RG13 1JA. Tel (0635) 39482 - office hours or (0635) 39488 - answerphone outside office hours.

Bayer
Improving the quality of life.

International Appointments

Head of Administration

Spain £25,000+

Our client is a major international leisure complex developer. Its El Capistrano complex on the southern coast of Spain already comprises more than 1,500 high quality villas and apartments, divided into four separate, self-contained villages each with its own full range of services and leisure facilities.

The fifth village is now under way and a big building programme is starting. Our client needs a Head of Administration for its development company who will report to the British President in Spain and take complete charge of the company's finance and administration functions.

The successful candidate will be aged late 20's upwards, well qualified, and fluent in Spanish. Experience will have included the operation and enhancement of computerised management information and control systems, certainly in the international contracting industry and probably in Spanish-speaking countries.

This is a fast-moving, rapidly-growing operation, and there will be ample room to grow with it. Other benefits will include furnished accommodation. English schools are available.

Letters of application, together with CV, salary progression and any other relevant data, should be sent without delay to Mr. C.A. Cotton, Executive Recruitment Division, Stoy Hayward Associates, 3rd Floor, Waterloo House, 20 Waterloo Street, Birmingham, B2 5TF, quoting reference SHA 881.

Interviews will be held initially in London and Birmingham.



Stoy Hayward Associates

MANAGEMENT CONSULTANTS
A member of Horwath & Horwath International

FINANCE MANAGER

Abu Dhabi

c.\$20K tax free + benefits

Our client is a joint venture partnership between a highly reputable Arab group and a well known US company, engaged in the distribution and service of air-conditioning equipment.

Responsibilities will cover all financial and accounting matters, tight budgetary control, the provision of timely and meaningful management information and the implementation of further computerised systems.

Eligible candidates will be qualified accountants, ideally aged around 30, with a minimum of five years experience, a good working knowledge of personal computers and relevant accounting software, fluent in English and possessed of initiative and leadership qualities.



Applications in strict confidence under ref: 6922 to Jennifer S. Tucker, Mervyn Hughes International Ltd, 63 Mansell Street, London E1 6AN. Tel: 01-488 4114.

Move into Investment Management

Financial Controller

(FD Designate)

CITY

up to £30,000 + car

Our client is a rapidly growing, profitable City firm providing discretionary portfolio management services for expatriates and UK residents. Formed in 1979, the firm is poised for expansion into new products and markets.

A financial controller is now required to assist the Managing Director in shaping the firm's future. The successful candidate will be responsible for all accounting, financial and administrative matters, including maintenance of client accounts and preparation of management and statutory accounts. A significant contribution to the firm's strategic plan and its implementation will be expected, as well as guiding the further computerisation of the present systems. A key role will be investigating and advising on acquisitions.

If you are an FCA/ACA, with solid experience in computers, knowledge of the securities market, commercial acumen and entrepreneurial flair, you may be the right person to fit into this dynamic and hard-working environment. If so, then send a concise CV with salary history to Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186, City Road, London, EC1V 2NL

QUALIFIED ACCOUNTANTS

c£17,000 - £25,000 + car

Are you a recently qualified accountant or chartered accountant looking for a new career? With a wide variety of excellent positions available in small to medium-sized companies, and diversity of other than day-to-day work, we are keen to place you in the right job.

Our service is personal, professional and completely confidential. We may have just what you've been looking for so why not ring us today for an appointment or simply send us your CV.

Ref: CA/246

OPERATIONAL AUDITOR

c£20,000 + car

London based public company in the leisure and service industry offering a positive career path. Work involves all types of assignments, investigations and reconciliations with success level.

Ref: EL/146

write/phone to: ACCOUNTANCY ASSOCIATES LIMITED
temp /perm. recruitment consultants
5 VIGO STREET LONDON W1X 1AH TEL: 01-439 3387/8/9

Appointments Wanted

Ambitious young BOND SALESMAN

With 18 months' direct selling experience in Sterling Bonds seeking rewarding position in an expanding investment bank, with a view to broadening his bond selling expertise.
Write Box 40286, Financial Times
10 Cannon Street, London EC4A 3DF

GENERAL MANAGER

British and 45, specialist marketing and international financial services, including insurance, leasing and trade finance. Seeking challenging senior management position. Fluent French, Spanish, Portuguese and wide range of languages. Throughout Europe, America and Middle East. Based UK, able to travel, willing to relocate.
Write Box A.0587, Financial Times
10, Cannon Street, London EC4A 3DF.

International Appointments

SALES TRADERS

U.S. Investment Bank seeks experienced sales traders to join its growing International Equities Department. Several positions are also available in our expanding Derivatives Unit including Convertible Bond Sales/Trading and Options Sales.

Send Curriculum Vitae to:

Pamela Haynes
Personnel Manager

Donaldson, Lufkin & Jenrette
Donaldson, Lufkin & Jenrette International
Jupiter House, Triton Court
14 Finsbury Square
London, EC2A 1BR, England

FINANCIAL DIRECTOR DESIGNATE FIRM LISTING PLANS

W Yorkshire

c£25K + share option
car, pension, BUPA
Age indicator mid-30's

With an enviable quality image and an impressive growth and profit record this young, privately owned £10 million pa fabric manufacturer and designer supplies the contract furnishing market, worldwide. Further investment is currently being undertaken to expand capacity and improve facilities to satisfy customer demand.

The company has a firm intention to seek a Stock Exchange listing in the medium term and a top flight professional able to establish credibility with the financial community and, ideally an awareness of listing requirements is needed to take full responsibility for the financial function.

The successful candidate will be a fully qualified financial professional, an excellent leader, computer literate with well developed communication skills and the essential drive and assertiveness to make a personal contribution to the direction and success of the company. The ability to work closely with a small executive team of like-minded executives is a pre-requisite.

Remuneration, including share option, and career prospects make this an outstanding opportunity.

For further details and an application form, please write to Mr V. Burke, Senior Consultant - Human Resources, 3i Consultants Ltd, 34 Park Cross Street, Leeds LS1 2QH, or telephone Leeds (0532) 459489 (24 hour reply service), quoting Ref: NR/691.



3i Consultants Ltd
Human Resources Division

ACQUISITION FINANCE

Our client, a major international commercial concern, offers a highly motivated and energetic Accountant the opportunity to contribute directly to their continued success and global market lead.

The new position will reflect the emphasis placed by the group on acquisition and new business development and will require an astute and imaginative approach to problem solving and market analysis.

Areas of focus:

- The provision of in-house research support and advice on new acquisition and merger proposals
- The production of feasibility studies, target company analyses and risk assessment
- Liaison with advisers on both new proposals and current projects
- Some assessment of the capital expenditure programme.

Aged 25-30, the successful candidate will be a graduate A.C.A. with some post qualification experience in either a professional or commercial role.

Excellent prospects for career development and highly competitive salary package will reward hard work and whole hearted commitment.

For further information contact Sara Bonney.

All applications will be treated in strict confidence.

16, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

Public Notices

Message to Gas Suppliers

- ☐ Are you supplying gas through pipes?
- ☐ If so, do you have proper authorisation?
- ☐ Do you know that it may be an offence to supply gas through pipes without authorisation?

"Supplying gas" means gas sold by one individual or company to another. The term "gas" refers to any combustible gas such as natural gas, propane, butane, landfill gas or coke oven gas.

In general, you require an authorisation to supply gas through pipes. Such authorisations, under section 8 of the Gas Act 1986, are granted by the Director General of Gas Supply.

However, you do not need an authorisation if:

- ☐ you buy gas for your own use (for example if you buy LPG, either in cylinders or as a liquid which is stored in a permanent tank, and do not sell it to anyone else);
- ☐ you are reselling to the occupants of flats within a building, which you own, gas supplied to the building by British Gas;
- ☐ the gas is supplied by a company to a subsidiary company;
- ☐ the gas is supplied to British Gas;
- ☐ the supply of gas exceeds 2 million therms a year and you have notified the Secretary of State for Energy.

An authorisation cannot be granted for the supply of gas to premises situated within 25 yards of a British Gas distribution main unless either British Gas gives its consent, or the rate of supply would exceed 25,000 therms a year.

If you believe that you require an authorisation, or if you are in any doubt, get in touch with the Office of Gas Supply at the following address: Office of Gas Supply, Southside, 105 Victoria Street, LONDON SW1E 6QT. Tel: 01-828 4155.

ofgas
Southside
105 Victoria Street
London SW1E 6QT.

Company Notices



European Investment Bank

7% PER CENT 1973/1988
FF 200,000,000 LOAN

Notice is hereby given to bondholders of the above loan that redemption of FF 1,150,000 was effected before May 15, 1987. Amount outstanding on May 15, 1987: FF 102,205,000. Luxembourg May 26, 1987

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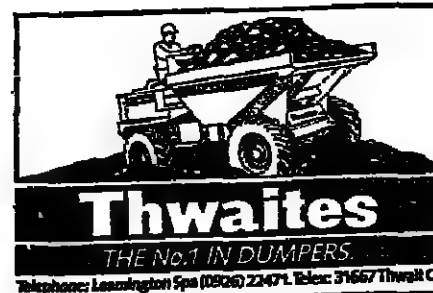
Art Galleries

MEDIC GALLERY, 7, Graham St., near Victoria St., London W1. 01-629 2678. Exhibition of 18 contemporary artists. 18 June-8 July. Mon-Fri 9-5.30.

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday June 18 1987



First Boston Corp to disband trading desk

BY ANATOLE KALETSKY IN NEW YORK

FIRST BOSTON Corporation, the prominent Wall Street securities house, has decided to disband its "proprietary fixed-income desk", effectively admitting its inability to control or analyse the risks of trading certain new kinds of financial instruments for its own account.

The reorganisation, which follows the large trading losses disclosed by the firm on Tuesday, will affect only a handful of traders but it is the latest and clearest indication of the financial volatility and management problems created by the proliferation of novel trading techniques on Wall Street.

First Boston's loss, estimated by outside analysts at around \$100m, resulted from the disastrous effect of April's bond market slump on specially-tailored bond options

which the firm had been selling for its own account.

Unlike the losses recently disclosed by Merrill Lynch, First Boston did not suffer from unauthorised trading.

Its losses were incurred by traders operating fully within the firm's guidelines. The trades involved were designed to generate profits from a stable bond market by selling partially offsetting put and call options.

However, when the bond market collapsed, it proved impossible to limit losses on the put option, which lacked liquidity because of their tailor-made characteristics.

The winding up of the proprietary fixed-income desk, which was responsible for devising and marketing such options, was accompanied by an explicit statement by

First Boston's management that the risks in this kind of activity were now deemed to be excessive.

This seemed to imply a vote of no confidence in the professional mathematicians, or "rocket scientists", employed by leading securities firms around the world to carry out computerised analyses of novel instruments and trading strategies.

Such analyses are designed both to create new instruments and to arrange hedges that would set precise limits on the risks these instruments entailed.

"With the number of new products you have today, the problem is that you haven't seen how they act in all kinds of markets," Mr Peter Buchanan, First Boston's president said in explaining his firm's decision to close the proprietary fixed-income desk.

France to give FFr 2.5bn Airbus boost

By George Graham in Paris

AEROSPATIALE, the French state-owned aircraft manufacturer, is to receive a FFr 2.5bn (\$418.5m) capital injection from the government over the next three years.

The money will help Aerospatiale finance its share of the development costs of the next generation of Airbus civil airliners, and will almost double the company's capital base.

Mr Henri Martre, Aerospatiale's president, said last month that the group's current capital of FFr 3.1bn was insufficient in relation to its FFr 25bn turnover and to its competitors. The capital base has been increased by FFr 500m over the last three years - FFr 100m coming from the state and FFr 400m from retained profits.

The French Government recently said it would provide FFr 4.6bn in reimbursable grants towards Aerospatiale's share of the programme to build the Airbus A-330 medium range (twin-engine aircraft) and its sister, the long range four-engine A-340.

The grants represented only 60 per cent of the estimated development costs of the airliners, although the government provided a further FFr 1bn to the state-owned Snecma for the development of a new engine for the A-330.

Aerospatiale regards its debt level as moderate, after cutting its borrowings by FFr 5.6bn in 1984 and 1985. Last year, however, debt rose again by FFr 900m to FFr 3.7bn, mainly because of a deterioration in the level of customer advance payments.

PAGEMAKER ROCKETS TO HEAVY INITIAL PREMIUM

Aldus shares take off on day one

BY LOUISE KENOE IN LOS ANGELES

ALDUS CORPORATION, the Washington state desk top publishing software company, made a spectacular entrance into the US public stock market on Monday with a 2.24m share offering that rocketed from \$20 to \$35 in a single day of exceptionally heavy trading.

The excitement surrounding Aldus stems from the company's established position as the leader in the high growth desk top publishing market.

Aldus's product, called Pagemaker, enables personal computer users to create professional looking documents, newsletters and even magazines for a fraction of the cost of conventional methods.

Pagemaker is often compared to

such popular personal computer programmes as Lotus 1-2-3 and Visicalc. Each of these products has been a catalyst in creating new markets for personal computers.

Visicalc, the original spreadsheet programme, brought personal computers into the business world, while Lotus 1-2-3 is seen as the programme that helped to make the IBM personal computer so successful.

Similarly, Pagemaker is in large part responsible for the emergence of the Apple Macintosh computer from a period of disappointing sales into a highly successful product.

Aldus's stock offering was long anticipated and since its announcement was expected to be over subscribed, widespread interest in the

offering drove the underwriters, Alex Brown & Sons, and Montgomery Securities, to increase the offering price from an original \$14 to \$16 range to \$20 and to add 200,000 shares.

The 79 per cent gain in Aldus's stock price on its opening day came as a shock, however, to most industry analysts. "Aldus is a quality company. They've done everything right. They are the leader in a high growth industry, but the excitement surrounding the IPO is overdone," commented Bruce Lupatkin of Hambrecht & Quist.

Other analysts said they expect the stock price to subside to around \$30 once the euphoria surrounding the offering wears off.

Even at \$16, Aldus would not

have been a "cheap stock" said Michael Murphy, editor of the California Technology Stockletter.

Analysts project Aldus's 1987 earnings at 75 cents to \$1.00 per share on revenues of about \$41m. The company earned \$2.4m, or 21 cents per share last year, on sales of \$11.1m.

Paid-up demand for a high quality, high-tech offering has much to do with the gain in Aldus's stock price, analysts said. Comparisons are being drawn between Aldus and two software companies that made very successful public stock offerings last year - Adobe Systems, which sells a software programme that enables laser printers to create high quality print for the desktop publishing market, and Autodesk,

Shares in Oxford Instruments fall after drop in earnings

BY STEVEN BUTLER IN LONDON

SHARES in Oxford Instruments, the UK high-technology group, fell yesterday on the announcement of disappointing results and a forecast of lower profits in the current year.

The results came as it emerged that the company has won an order, from IBM, believed to be worth about £10m for a synchrotron - or superconducting atom smasher - which the US computer-maker is to try as a possible manufacturing machine for semiconductor chips.

Oxford also said the successor to Mr Barrie Marson, the company's non-executive chairman, who is leaving at the end of August after more than 16 years, will be Sir Austin Pearce, retiring chairman of British Aerospace.

Oxford shares finished 39p down on the day at 389p in London yesterday after the company said pre-tax profits had risen by 6.7 per cent to £19.65m in the year to the end of March.

Sales, which fell £584,000 to £36.99m (\$162.8m) were affected by changes in the US tax laws on capital allowances that hit purchases of its non-magnetic resonance products.

Sales of its main product, superconducting magnets used in medical scanning equipment were hurt by market saturation and are unlikely to grow for at least the next year.

Profits contribution from diagnostic imaging products fell below 50 per cent.

Mr Marson said yesterday: "What we see is a hiatus, a period of waiting for a breakthrough in technology or price."

The breakthrough would follow the introduction of lower-cost magnetic scanners, costing about \$1m which may come on the market in a year's time for purchase by medium and smaller hospitals which cannot afford current machines.

Oxford plans to maintain research and development spending at about £8m.

Mr Marson was optimistic about the company's future, which is dependent on several new products under development, including 'Active-Shield' magnets that would sharply reduce hospital installation costs of scanning equipment.

The new products would take several years to show up in sales and profits.

Mr Marson said Sir Austin would be well prepared to lead Oxford, with his experience at British Aerospace dealing with large government and corporate contractors, particularly given Oxford's current range of products for development.

Among the new products being developed is a compact superconducting electron synchrotron, of the type being bought by IBM, which has had a close technical collaboration with Oxford.

General Tire makes offer for Gencorp

By Our Financial Staff

GENCORP, the US diversified industrial group, has received a buy-out offer for General Tire & Rubber, the fourth largest US tyre maker - which is already the object of merger approaches from Continental Gummiwerke of West Germany and Pirelli of Italy.

The company said yesterday that no details of the buyout offer, which has been put together by executives of General Tire & Rubber, would be made public until all offers were on the table. A public flotation of General Tire was also a possibility.

GenCorp also announced a loss from continuing operations of \$25m for the second quarter, including a one-off restructuring cost of \$37m, compared to a profit of \$10m (72 cents a share) for the same period of the previous year.

Final net profit, after gains from disposals and other financial items, was \$181m (\$9.56 a share). Sales climbed to \$450m from \$352m in the same period a year earlier.

Chase to sell stake in Egypt venture

By Richard Johns in London

CHASE MANHATTAN Bank of the US announced yesterday that it was selling out its share in one of the more successful joint ventures in Egypt to its majority partner, the National Bank of Egypt.

Chase said the divestiture of its 49 per cent stake in Chase National Bank Egypt was in line with its policy of reducing minority holdings worldwide.

Chase National Bank (Egypt) had assets of \$21.03m (\$450m) at the end of 1985 when it made a pre-tax profit of \$28.5 and one after tax of \$12.6m. Loans outstanding were \$243m.

Agreement has been reached on the purchase of its 49 per cent stake by NBE, the largest commercial banking institution in the country with assets of \$210m by the end of the fiscal 1985/86.

Allegis plan runs into problems with unions

BY JAMES BUCHAN IN NEW YORK

PLANS by new management to break up Allegis, the Chicago-based travel conglomerate, have run into trouble amid disagreements between key labour groups over the extent of employee ownership of the group's United Airlines subsidiary.

Mr Frank Olson, who took over as chairman of the embattled group in a boardroom coup last week, yesterday held a meeting with a group of non-unionised employees, known as the Coalition Acting for Rights of Employees (Care), which late on Tuesday proposed a minority holding for the airline's 61,000-strong labour force.

Employee ownership is seen as a key to improving the poor labour relations at United which helped precipitate 10 weeks of intense take-over speculation, culminating in the forced resignation of Mr Richard

Farris as Allegis chief executive last week.

However, the airline's machinists' union as well as the Care group, oppose a plan by the airline pilots' union that would give employees 80 per cent and control of the carrier.

The pilots' scheme involves providing shareholders with a \$70-a-share dividend, to be financed by the sale of all Allegis' hotel and Hertz car rental businesses and by borrowing against the airline's assets.

However, the machinists oppose any plan that would give employees control and involve large wage concessions, as the pilot's scheme would demand.

Mr Olson has held informal talks with the machinists and the flight attendants union, which is so far undecided.

This announcement appears as a matter of record only.



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June 1987

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ECU 120,000,000
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Issue Price: 101 3/4%

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Mitsubishi Finance International Limited	Morgan Guaranty Ltd	Morgan Stanley International
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May 15, 1987

CHEMICAL INVESTMENT
BANK BANKING

INTERNATIONAL COMPANIES and FINANCE

Swedish group expands US base

By Sara Webb in Stockholm

INTER INNOVATION, the Swedish cash handling equipment company, has agreed to buy LeFebure, a US company which manufactures security systems equipment for financial institutions, for \$80m from L. R. Foster Company.

Inter Innovation has a sales and service subsidiary in the US, and has been looking for a way to expand and strengthen its American base.

"A lot of Swedish companies face financial difficulties when they try to set up on their own in the US market - we wanted an up-and-running organisation with an extensive sales and services network," said Mr Leif Lundblad, managing director.

LeFebure is the second largest producer of bank security and cash handling equipment in the US after Diebold. Last year it had sales of \$94m. Pre-tax income reached \$8.5m.

LeFebure, which is based in Iowa, has 40 regional offices in the US, 200 service stations and 1,400 employees. It makes alarms, surveillance equipment, safes, card access systems, and automatic teller machines.

It has been a distributor for Inter Innovation in the US and last year developed a series of automatic cash dispensers based on Inter Innovation's technology.

Inter Innovation claims to have 70 per cent of the European market and 90 per cent of the US market for its teller assist cash dispensers.

The company joined the A1 listing of the Stockholm Stock Exchange in April.

BID BATTLE PROMPTS STRATEGY CHANGE IN NETHERLANDS MEDIA MARKET

Dutch publishers on the offensive

BY LAURA RAUN IN AMSTERDAM

THE DUTCH publishing industry, until now a relatively cosy cartel of like minded companies, is entering an era of heightened competition after the uncommonly bitter takeover battle for Kluwer.

Regardless of the outcome of the dramatically unfolding battle, publishers will be fighting more aggressively on the domestic front now that the comfortable air of camaraderie has been shattered by Elsevier's hostile attack on Kluwer.

Abroad, the emboldened publishers are likely to enter new alliances in an effort to maintain rapid growth and carve out promising markets.

Kluwer apparently has been rescued from the clutches of Elsevier, a bigger rival, by "white knight" Wolters Samsom, a smaller competitor which already owns 29 per cent of Kluwer and will launch a public bid for the rest in two weeks.

Together Kluwer and Wolters Samsom would oust Elsevier as the Netherlands' second largest publishing company and create a major player in professional and educational publications and new media.

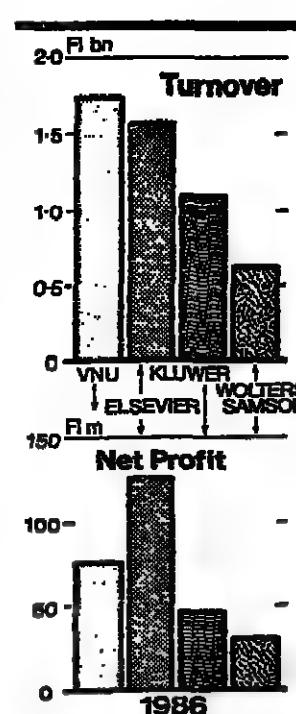
Mr Joop Alberdingk Thijm, chairman of Kluwer, and Mr Mijndert Ververs, head of Wolters Samsom, yesterday enthused over the planned merger that is to be known as Wolters Kluwer.

The new company would benefit from the "strategic fit" of their activities in professional, educational and scientific publications as well as training courses. Per-share profits would rise this year, the debt-equity ratio would remain healthy and the cash flow would stay strong.

Nevertheless, Elsevier is pressing ahead with its competing bid for Kluwer and cannot be written off. Its bid could be launched as early as tomorrow and will throw the battle squarely onto the floor of the Amsterdam Stock Exchange where fluctuating share prices of the three combatants will determine who gets Kluwer.

Already share movements have pared the difference between Wolters Samsom's higher bid and Elsevier's lower one and speculation is rife about manipulative efforts to boost and depress prices.

If the merger goes through between Kluwer and Wolters Samsom, now the third and fourth largest publishers respectively, it would follow years of consolidation in Dutch publishing and leave three companies of nearly equal size with overlapping markets.



The mooted Wolters Kluwer expects turnover of Fln 1.7bn (\$829m) this year and would face stiff competition from VNU the top publisher and Elsevier, as well as heavyweights abroad.

Kluwer, which was established in Dordrecht in 1888, and Wolters Samsom, the Zwolle-based product of several mergers, yesterday emphasised the close fit of their activities and management style. Increasingly they see themselves as "information companies" that collect and purvey information through a variety of media, especially "word of mouth" and electronic publishing.

Mr Alberdingk Thijm and Mr Ververs agreed that their decentralised form of management, designed to promote creativity and local strengths, would continue. Although Wolters Samsom has put more emphasis on foreign activities, together they plan vigorous expansion overseas - especially in West Germany, Spain and Belgium - and expect 60 per cent of revenue from overseas right away.

A combined Wolters Kluwer would enter the league of international publishers such as McGraw Hill of the US on a somewhat smaller scale, emphasising niche markets and new media. Leaping into the big league, however, they will need every bit of financial muscle and creative energy they can muster to maintain markets and forge into new ones.

Among the foremost problems will be educational publishing, where Wolters Samsom is a powerhouse, but where sharply falling numbers of students are cutting in to textbook demand and government austerity into budgets.

Controlling costs is another challenge. In recent years both companies have invested heavily, espe-

cially in the US, and they need to start reaping the benefits now.

At home the new partnership will face competition from both VNU and Elsevier, which are devoting more attention to business, professional and scientific markets now that books and printing are under serious pressure. VNU and Elsevier are also active in newspapers and magazines, areas where Kluwer and Wolters Samsom have pulled out, but it is the specialised markets where the battle will take place.

VNU, which is based in Haarlem, is active in educational books and courses, trade journals and data-based publishing. Elsevier, headquartered in Amsterdam, is one of the world's leading publishers of scientific journals. It is also expanding vigorously in America, where its operations include the Congressional Information Service, a company that excerpts and indexes US government publications.

Elsevier's hostile bid for Kluwer has focused intense international attention from the publishing industry on the Dutch market and further moves still can not be ruled out. Any of Holland's top publishers, featuring healthy balance sheets and innovative products, could be viewed as attractive acquisitions by, among others, Britain's Mr Robert Maxwell and West Germany's Bertelsmann.

Elsevier's unusual move - by Dutch standards - of pursuing Kluwer against its will is seen as likely to pioneer the way for more unfriendly takeover bids. Contested bids have been few and far between because of the vast array of defensive weapons available to thwart unwanted advances, but Elsevier's boldness is expected to encourage others.

Losinger posts reduced losses of SKr 4.5m

By John Wicks in Zurich

LOSINGER, Switzerland's leading construction company which is half owned by Enserch of the US, has reported a reduction in net losses from SKr 9.2m to SKr 4.5m (\$2.94m) for 1986.

Group turnover fell from SKr 700.9m to SKr 636.8m reflecting both the disposal of the British company Colcrete and the weakness of the dollar.

Net loss of the parent company was down from SKr 19.8m to SKr 2.5m. However, this means an increase in carried-over losses to SKr 31.7m. Losinger was badly hit in 1982 by irregularities on the part of a US subsidiary, following which it took Enserch on board as a major shareholder.

According to Mr Georges Page, the company's managing director, the current year is viewed with "subdued optimism." Both domestic and foreign business are currently running at budgeted levels.

Bergen Bank operating profits rise by 6.7% to NKr 381m

BY OUR STOCKHOLM CORRESPONDENT

BERGEN BANK, Norway's third largest commercial bank, reported a 6.7 per cent increase in operating profits to NKr 381m (\$56m) in the first four months, compared with NKr 357m in the corresponding period last year.

The Bergen Bank Group said it expects operating profits for 1987 to be "somewhat higher" than in 1986 when the figures reached NKr 1.2bn.

However, the bank warned that return on equity and earnings per

share would be lower this year due to the increase in the number of shares and total equity capital following the recent public share issue.

Total assets for the Bergen Bank Group rose to NKr 842m, an increase of 27 per cent on the corresponding period last year.

The parent bank showed an 11.7 per cent increase in operating profits to NKr 286m, while total assets rose by 32 per cent to NKr 611m. Op-

erating profits as a percentage of total assets slipped from 1.78 per cent to 1.68 per cent.

Overall lending reached NKr 430m in the four months, up 33 per cent on the corresponding period last year. The bank said it was becoming increasingly necessary to maintain a high level of non-interest income, including earnings on foreign exchange, securities and bond transactions, because of the narrowing of interest margins.

Degussa to take stake in Canada venture

By Bernard Simon in Toronto

DEGUSSA, the West German precious metals group, is to take a 50 per cent interest in a new joint venture to explore for platinum-group metals in North America.

Degussa's partner is International Platinum of Toronto (IPT), one of several North American companies which have stepped up the search for platinum to provide a more politically stable source of supply than South Africa, which presently accounts for more than 80 per cent of non-communist output.

The two companies plan to spend C\$4.5m (US\$3.4m) over three years, with Degussa matching IPT's past exploration and acquisition costs of C\$2m and providing half of future needs.

IPT already has exploration rights on 30 properties in Canada and the US which appear to have rock structures similar to those of the South African platinum deposits. Among the most promising sites are two in North-West Ontario and one in the North-west Territories.

Spain agrees telecom joint venture

FINANCIAL TIMES REPORTER

THE Telecommunications joint venture formed by AT & T of the US and Philips of the Netherlands is to take part in a new Spanish company to absorb the non-defence activities of the troubled former ITT subsidiary Marconi Espanola, under a plan agreed with the Spanish Industry Ministry.

The plan is designed to allow Alcatel, the group formed by CSE of France and ITT, to withdraw from Marconi, which it considered to have too wide a range of activities, too many employees and too little technological independence to be viable in its present form.

The French-controlled group is committed to ploughing in Pta 11.9bn (\$94m) to restore Marconi's balance sheet.

The AT & T-Philips venture Atp and the Spanish telephone equipment manufacturer Amper will be the main partners in the new company, which is to take over 450 of Marconi's 1,270 employees.

U.S. \$200,000,000
B.B.L. International N.V.
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Guaranteed on a Subordinated Basis
as to payment of principal and interest by

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Banque Bruxelles Lambert S.A./
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Interest Rate 7.425% per annum
Interest Period 18th June 1987
18th December 1987
Interest Amount due
18th December 1987
per U.S. \$10,000 Note U.S. \$ 377.44
per U.S. \$250,000 Note U.S. \$9,435.94

Credit Suisse First Boston Limited
Agent Bank

PARKLABREA FINANCE
CORPORATION
U.S. \$165,000,000
Guaranteed Floating Rate
Bonds due 1998

Bondholders were advised that for the six month interest period from June 18, 1987 to December 18, 1987 the Bonds will carry an interest rate of 7 1/4% per annum. The amount payable on December 18, 1987 will be U.S. \$387.50 per U.S. \$10,000 principal amount.

June 18, 1987
THE CHASE MANHATTAN BANK N.A.
LONDON, AGENT BANK.

The Molson
Companies Limited
(Incorporated with limited
liability under the laws of Canada)

U.S. \$20,000,000 Floating Rate Notes
Issue date 18th March 1987
Maturity date 18th March 1992

For the three month interest period from 18th June 1987 to 18th September 1987 the rate of interest on the notes will be 7 1/4% per annum. The interest payable on the relevant interest payment date will be U.S. \$9,024.31 per U.S. \$500,000 note.

Morgan Grenfell & Co. Limited
Reference Agent

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(A Savings Bank registered under the laws of the Kingdom of Norway)

U.S. \$100,000,000
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Euro-Certificates of Deposit Programme

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Dealers
Westpac Banking Corporation
Christians Bank
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Issuing and Paying Agent
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SPAREBANKEN
MØRE
(A Savings Bank registered under the laws of the Kingdom of Norway)

U.S. \$20,000,000
Standby Facility

Arranged by
Westpac Banking Corporation

Managed by
Westpac Banking Corporation
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Crédit Agricole
Société Générale Alsacienne de Banque

Banco di Roma - London Branch
Christians Bank - London Branch
International Westminster Bank PLC
Union Bank of Norway

Facility Agent
Westpac Banking Corporation

June 1987

Elders IXL

Elders IXL Limited

(Incorporated with limited liability under the laws of the State of South Australia)

has acquired

Carling O'Keefe Limited

We acted as financial adviser and global Dealer Manager for Elders IXL Limited in this transaction.

In Canada and abroad
Merrill Lynch Canada Inc.

In the United States
Merrill Lynch Capital Markets

June 1987

This announcement appears as a matter of record only.



ORKLA BORREGAARD AS

U.S. \$50,000,000

Multiple Option Facility

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Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

Arranged by

Hambros Bank Limited



Applied
Technology

Global Risk Management

This announcement appears as a matter of record only.

Co-Op A.G.

**DM120,000,000
Asset Swaps**

Manufacturers Hanover Limited provided the Interest Rate Swaps and placed the resulting series of synthetic floating rate assets.

April 1987

This announcement appears as a matter of record only.

CalFed Inc.

**£50,000,000
Three Year Cross Currency Swap**

Manufacturers Hanover Limited provided this US Dollar/Sterling Cross Currency Swap.

May 1987

This announcement appears as a matter of record only.

Girobank PLC

**£32,000,000
Private Placement and Swap**

Manufacturers Hanover Limited arranged the above Private Placement and provided the accompanying US Dollar/Sterling Cross Currency and Sterling Interest Rate Swaps.

March 1987

This announcement appears as a matter of record only.

**The Coca Cola Bottling Company
Of The Midsouth**

**\$70,000,000
Structured Interest Rate Protection Program**

consisting of
10 year amortizing interest rate swap
3 year amortizing interest rate collar
7 year forward interest rate cap

Manufacturers Hanover Trust Company provided this interest rate protection.

March 1987

This announcement appears as a matter of record only.

SMG Acquisition Corporation
a new corporation formed by
Merrill Lynch Capital Partners, Inc.
to acquire

Supermarkets General Corporation

**\$200,000,000
3 Year Interest Rate Cap**

Manufacturers Hanover Trust Company provided this interest rate protection.

June 1987

This announcement appears as a matter of record only.

**The Mitsubishi Trust and Banking
Corporation**

Manufacturers Hanover Trust Company and Manufacturers Hanover Limited have completed the following types of Interest Rate and Currency Risk Management transactions with the above:

US\$ Medium Term Interest Rate Swaps
US\$ Short Term Interest Rate Swaps
Yen/US\$ Cross Currency Swaps
DM/US\$ Cross Currency Swaps
Sfr/US\$ Cross Currency Swaps
£/US\$ Cross Currency Swaps
US\$ Forward Rate Agreements

The Investment Banking Group

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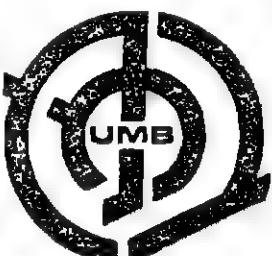
To Nikko Capital Management Ltd.
10-12 Little Trinity Lane, London EC4V 2AA,
United Kingdom

Name _____
Profession _____
Company _____
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NIKKO



US\$25,000,000.00

UNITED MIZRAHI INTERNATIONAL INVESTMENTS NV

Guaranteed Floating Rate Notes 1988

For the six months
19 June 1987 to 21 December 1987
The Notes will carry an
interest rate of 7 1/8% per annum
Coupon Value U.S.\$391.94
Listed on The Stock Exchange, London

YORKSHIRE AND HUMBERSIDE

The Financial Times is
proposing publishing
this survey on

**WEDNESDAY
JULY 29 1987**

For full details contact:
HUGH WESTMACOTT
on 0532 454088

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
The content, size and publication
dates of surveys in the Financial
Times are subject to change at the
discretion of the Editor

INTERNATIONAL COMPANIES and FINANCE

Court battle likely over BHP shares

BY BRUCE JACQUES IN SYDNEY

A LONG-RUNNING options play between Australian entrepreneurs Mr Robert Holmes à Court and Mr John Spalvin over shares in Broken Hill Proprietary (BHP), the country's largest company, appeared likely yesterday to prompt a court battle between the two.

This followed a shortfall of nearly 37m BHP shares, worth A\$370m (US\$266.1m) at yesterday's Sydney closing price of A\$10, in scrip delivered by Mr Spalvin's Adelaide Steamship group to Mr Holmes à Court's Weeks Petroleum unit.

The long-awaited settlement was made in Bermuda, where

Weeks is domiciled, on Tuesday. But far from ending more than a year of brinkmanship, it seems likely to rekindle hostilities.

The two takeover operators made the deal during the peak of the battle for control of BHP in 1985-86 with Mr Spalvin taking a strong bear view on the stock and Mr Holmes à Court the opposite view. Mr Holmes à Court has been proved correct with BHP shares rising more than 50 per cent in the period although they are currently well off their year's high of A\$12.10 each.

The Spalvin camp issued a terse announcement on the settlement in Sydney yesterday,

disclosing the 37m share shortfall. Adsteam said it delivered 72.38m BHP shares and 19.98m shares in its BHP Gold offshoot for which Weeks paid A\$232.71m.

"This comprised the agreed purchase price of A\$385.45m less agreed liquidated damages of A\$92.74m for the shortfall," Adsteam said. "Completion was effected strictly in accordance with the obligations of Adsteam under the agreements as advised by Adsteam's solicitors, Dawson Waldron."

Within hours, Mr Holmes à Court's Bell group had issued its own statement which put a different complexion on matters. Bell said Weeks had accepted

deliveries of the shares and monies tendered "on the express condition that it reserves all rights to pursue legal remedies for damages or otherwise for Adsteam's failure to fulfil its contractual obligations."

Bell pointed out that the agreement obliged Adsteam to use "all reasonable endeavours" to deliver 110.25m BHP shares and 30.06m BHP gold shares. "Weeks will take such legal action as is available to it against Adsteam," the announcement said.

Adelaide Steamship shares were steady at A\$8.60 in Sydney yesterday following the announcements and Bell Group shares also held at A\$8.30.

Chinese to increase borrowing from HK

CHINESE enterprises will expand their syndicated borrowing arranged in Hong Kong this year to fund large-scale capital investment projects, Mr Zhang Xueyan, general manager of the Hong Kong branch of the Bank of China said, Reuters reports from Hong Kong.

He also told an investment seminar that Peking's interest in the Hong Kong stock market was growing but technical problems were preventing more Chinese enterprises from listing their shares in the British colony. Mr Zhang said Chinese firms raised HK\$4.98bn (\$638m) in syndicated loans in the territory in the first five months of 1987 and another HK\$1.72bn are under negotiation.

He did not give details of loans being negotiated.

Mr Zhang said China's outstanding borrowings from Hong Kong reached HK\$11.82bn at the end of 1986, up 84 per cent from the previous year.

He repeated a previous estimate that China's total foreign borrowings would reach \$300bn this year, twice the total of 1986, to finance major construction projects such as power generators, harbours and iron and steel plants.

"There will be ample ground for the expansion of loans extended to inland China by the Hong Kong banking sector," he said.

China plans to increase its presence in the local bond markets, said Mr Zhang, but because of the underdeveloped secondary market it would continue to rely more on the Tokyo, Singapore and Frankfurt markets to raise debt.

CSR fights back in bid for Pioneer Sugar

BY OUR SYDNEY CORRESPONDENT

CSR, the Australian sugar and building products leader, fought back yesterday in its bid for Pioneer Sugar Mills by declaring its takeover offers unconditional to allow early payment to acceptors.

This followed the decision of the Pioneer board to recommend acceptance of the CSR bid. But the takeover has been thrown into turmoil by the emergence of Mr Ron Brierley's

Industrial Equity (IEL) as a major Pioneer shareholder.

IEL disclosed that it has spent A\$30m (US\$21.6m) for a 9.5 per cent stake in Pioneer at A\$2.54 a share, 4 cents a share ahead of CSR's bid price. Mr Brierley appears to be positioning for a squeeze play as he also holds about 4 per cent of CSR's 11.25 per cent of Bundaberg Sugar, another sugar group.

He has the option of accepting CSR's share alternative bid for Pioneer and increasing his direct CSR stake. Mr Brierley may have bought more Pioneer shares yesterday: the price was steady at A\$2.55 with 490,000 shares changing hands.

CSR also continued to be harassed in another of its takeover bids, for Monier, the building products group. Equicorp Tasman appeared to be con-

tinuing to soak up Monier stock following receipt of Foreign Investment Review Board approval to lift its interest to 20 per cent.

Equicorp confirmed it had lifted its stake from 14.9 per cent to 15.65 per cent on Tuesday at its proposed offer price of A\$4.15 cash a share. With about 870,000 Monier shares changing hands nationally, yesterday, Equicorp looked to have lifted its stake further.

Profits more than doubled at FVB

By Jim Jones in Johannesburg
FEDERALE Volksbelegings (FVB), the South African industrial and investment holding group, consolidated its profit recovery in the year to March.

Additional loss-making operations were sold or terminated during the year, which limited the growth in turnover to 14 per cent, at R2.45bn (\$1.2bn).

Operating profit before interest and tax increased to R180m from R145.2m and pre-tax profits more than doubled to R129.7m from R55.1m. The attributable profit was R49m against the previous year's loss of R4.3m.

The directors expect improvements in consumer spending will contribute to satisfactory earnings growth this year. Dividend distributions have been resumed with a single payment of 8 cents a share. The year's earnings were 35.4 cents a share against a deficit of 8.6 cents.

FVB is a subsidiary of Sanlam, South Africa's second largest insurance company.

Japanese insurers lift income

BY YOKO SHIBATA IN TOKYO

COMBINED PREMIUM income of Japan's seven leading life assurance companies for the year to March rose by 21.8 per cent to ¥14,074.2bn (\$97.5bn), a performance which was attributed to strong sales of single-premium and variable-life policies.

The largest increase, of 29.3 per cent, was recorded by Daiichi Mutual followed by 24.8 per cent for Sumitomo Mutual and 18.9 per cent for Nippon Life — the industry leader.

Reflecting the low level of interest rates, the fall in yields on total assets of the seven was between 0.29 percentage points and 0.57 percentage points.

Affected by the sharp appreciation of the yen against the dollar, the insurers suffered a combined exchange loss of ¥1,704.2bn in their holdings of foreign bonds and foreign currency-denominated deposits.

These losses broke down as follows: sales loss on assets ¥412.9bn, evaluation loss on foreign securities ¥542.2bn, and foreign exchange loss on non-yen deposits and loans ¥751.1bn. The deficits were sufficiently covered by sales of

JAPANESE LIFE ASSURERS

(Year to March 1987)

	Premium income Ybn	% change	Yield on assets %	Forfeits loss Ybn	Variable policy yield %
Nippon	3,950	+19.9	7.09	511.1	37.27
Daiichi	2,876	+29.3	7.38	365.8	42.18
Sumitomo	2,468	+24.8	7.49	304.4	44.54
Meiji	1,618	+19.9	6.82	174.3	30.70
Aiwa	1,248	+15.7	7.22	178.4	34.25
Mitsui	1,012	+13.9	6.93	97.3	34.30
Yasuda	884	+18.9	7.15	83.0	32.93

securities. Japan's 28 life insurers have suffered foreign exchange losses amounting to about ¥3,000bn in the wake of the yen's appreciation since the autumn of 1985.

The Ministry of Finance instructed them to write off all of the year's exchange losses and those left over from the previous year against profits from their stock holdings, at the time when insurers chalked up a massive amount of unrealised profits because of the sharp stock market appreciation.

The yields on variable-life policies, marketed from last autumn, stayed high, ranging from Mitsui Life at 54.3 per cent to Meiji Mutual Life standing at 30.7 per cent.

● Nippon Life will dispatch 28 trainees soon to Shearson Lehman Brothers of the US, with which it arranged a capital tie-up in mid-April. The trainees will learn the securities business at the US investment bank for one to two years to prepare for Nippon Life's possible securities activities.

Nippon Life said Shearson has offered to accept up to 200 trainees.

In the wake of the agreement in April, Nippon Life and Shearson founded a joint venture for investment management in London.

NBD BANCORP. INC.
US\$100,000,000
Floating Rate Subordinated Notes due 2005
Notice is hereby given that for the interest period 18th June, 1987 to 18th September, 1987 the interest rate has been fixed at 7 1/8%. Interest payable on 18th September, 1987 will amount to US\$106.87 per US\$100,000 Note.
Agent Bank:
Morgan Guaranty Trust Company of New York
London

THE MINISTRY OF FINANCE
THE KINGDOM OF THAILAND
US\$300,000,000
Floating Rate Notes due 2005
Notice is hereby given that for the interest period 18th June, 1987 to 18th December, 1987 the interest rate has been fixed at 7 1/8%. Interest payable on 18th December, 1987 will amount to US\$381.25 per US\$100,000 Note and US\$9,531.25 per US\$250,000 Note.
Agent Bank:
Morgan Guaranty Trust Company of New York
London

COMALCO FINANCE LIMITED
US\$180,000,000
Guaranteed Floating Rate Notes due 1993
Notice is hereby given that for the interest period 18th June, 1987 to 18th September, 1987 the interest rate has been fixed at 7 1/8%. Interest payable on 18th September, 1987 will amount to US\$183.68 per US\$100,000 Note.
Agent Bank:
Morgan Guaranty Trust Company of New York
London

TOPS SERIES III LIMITED

(Incorporated with limited liability in the Cayman Islands)

U.S.\$110,000,000

Series III Floating Rate Trust Obligation Participation Securities Due 1992

Secured by a Charge on a Portfolio of Fixed Rate Bonds and Notes with an aggregate principal amount of U.S.\$159,810,000

For the period 17th June, 1987 to 2nd December, 1987, the securities will carry an interest rate of 7.4625% per annum with a coupon amount of U.S.\$8,706.25 per U.S.\$250,000 denomination and U.S.\$17,412.50 per U.S.\$500,000 denomination, payable on 2nd December, 1987.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Agent Bank

US\$250,000,000



Collateralized Floating Rate Notes due 1991

For the six month period 19th June, 1987 to 21st December, 1987, the Notes will carry an interest rate of 7.75% per annum with an interest amount of US\$3,982.64 per US\$100,000 Note and US\$9,956.60 per US\$250,000 Note payable on 21st December, 1987.

Bankers Trust Company, London

Agent Bank

U.S. \$150,000,000

MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Notes Due 2009

Interest Rate 7 3/8% per annum

Interest Period 18th June 1987

18th September 1987

Interest Amount due 18th September 1987

per U.S. \$10,000 Note U.S. \$188.47

per U.S. \$50,000 Note U.S. \$942.36

Credit Suisse First Boston Limited

Agent Bank

This announcement appears as a matter of record only.



nv Verenigd Bezit VNU

(established at Haarlem, The Netherlands)

Issue of
1,169,907 warrants to bearer
at the price of Dfls 27
per warrant

Amsterdam-Rotterdam Bank N.V. Bank Mees & Hope NV Algemene Bank Nederland N.V.
Pierson, Helderling & Pierson N.V.
Morgan Bank Nederland N.V.

Morgan Grenfell & Co. Limited

Swiss Bank Corporation International Limited

June, 1987

Weekly net asset value



Tokyo Pacific Holdings (Seaboard) N.V.

on 15.6.87 U.S. \$156.33

Listed on the Amsterdam Stock Exchange

Information: Pierson, Helderling & Pierson N.V.,
Herengracht 214, 1016 BS Amsterdam.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JUNE 12 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.525	-0.750	9.702	8.440
Australian Dollar	14.018	0.444	14.735	13.114
Canadian Dollar	10.430	-0.827	10.776	9.372
Eurodollar	6.141	0.033	6.250	5.804
Euro Currency Unit	8.527	-0.409	9.041	8.219
Yen	5.636	-0.880	6.578	5.218
Sterling	9.696	-1.122	11.409	9.443
Deutschemark	5.911	0.169	6.639	5.890

Bank J. Vontobel & Co Ltd, Zurich - Telex: 812744 JYZ CH



Malayan Banking Berhad

US \$60,000,000

Negotiable Floating Rate Dollar

Certificates of Deposit due 1987 Tranche A

In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 19th June 1987 to 17th September 1987 has been established at 7% per cent per annum.

The interest payment date will be 17th September 1987. Payment which will amount to US \$4,609.38 per Certificate, will be made against the relative Certificate.

Agent Bank
Bank of America International Limited

THE REPUBLIC OF TRINIDAD AND TOBAGO

U.S. \$50,000,000 Floating Rate Notes due 1992

Notice is hereby given that the Rate of Interest has been fixed at 8 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, December 18, 1987, against Coupon No. 4 will be U.S. \$444.79.

June 18, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

UK COMPANY NEWS

BIGGER CUSTOMER BASE AND BAD WEATHER BOOST PROFITS

British Gas surges past £100bn

BY MAX WILKINSON, RESOURCES EDITOR

British Gas yesterday announced a pre-tax profit of £1.06bn on a current cost accounting basis in the first annual result since it became a private company in December. It declared a dividend of 4p per share.

Because only four months of the financial year remained when the company was privatised, this will be the only dividend for the year.

On a current cost basis, net earnings of £575m (on an historic cost basis) for the year to end March were equivalent to 13.9p per share (or 19.9p per share on historic costs).

The current cost operating profit of £1.01bn represented a 46 per cent increase on the figure for 1986 or a 65 per cent increase when adjusted for the servicing of the £2.5bn of debt which the Government loaded onto the company when it was privatised.

This increase in profit was achieved in spite of a 1 per cent fall in turnover compared with the 1986 figure to £7.61bn. The fall in sales reflected increased

competition from oil after the fall in crude prices. However, the fall in oil prices also reduced the cost of British Gas's purchases from North Sea fields, since gas prices are linked by complicated formulae to the price of crude and oil products.

The fall in gas costs also resulted in a £71m favourable adjustment to working capital on a current cost basis while the historic cost operating profit improvement was £232m to a 1987 figure of £1.24bn.

This improvement reflected the £94m fall in operating costs, partly because of a reduction in the payroll by 3,500 or 4 per cent, but mainly because of the lower cost of gas supplies. The average cost of gas fell 11 per cent compared with the 1986 price to 16p per therm. This reduction followed a rising trend in previous years.

Although British Gas was forced to reduce its prices to reflect the industrial market, prices for domestic consumers were not much changed.



Sir Denis Hoare, chairman of British Gas

Capital expenditure of £363m reflected reduced spending on offshore projects, but tax rose by £107m, largely because of increased profit, but also because of lower capital allowances.

The total volume of gas sold was 18.9bn thermes which was 1 per cent higher than in 1986. Sales volume in the commercial sector rose by 8 per cent and sales to the domestic market rose by 3 per cent.

These increases were offset by a 6 per cent reduction in the industrial market where competition from oil is strongest.

British Gas's total number of customers rose by 250,000 to just over 17m. Its results were helped by this increase in its customer base and also by the severe weather in the early part of the year, which was estimated to have increased sales by 400m thermes or 2 per cent of the total volume of sales.

The corporation was able to generate net funds of £131m after paying off £750m of the Government's debt. Additions to fixed assets during the year amounted to £363m compared with £571m last year. Total funds generated by the business were £1.51bn, up 17 per cent compared with the figure for 1986.

See Lex

PEPUT fights to fend off Trafalgar

By Paul Cheswright, Property Correspondent

THE Pension Fund Property Unit Trust yesterday was trying to fend off an increased offer for its property portfolio from Trafalgar House, the shopping, property and construction group.

Trafalgar House has lifted its offer from £2.243 a unit, or £187.7m for the portfolio, made last month, to £2.500 a unit, or £208m for the portfolio.

After the rejection of its initial bid by the trust's committee of management, Trafalgar House not only lifted its offer but sought to circumvent the committee by placing its terms before individual unitholders, of which there are more than 400, holding some 98,000 units.

Mr Cecil Baker, the Trust chairman, has written to the unitholders, urging them to take no action and reminding them of the potential growth in the value of the Trust's property portfolio.

The moves by each side signify that a takeover battle outside the normal rules is taking place.

Under the regulations covering the property unit trusts, the units can only be held by pension funds and charities. Trafalgar House cannot therefore buy out the Trust although it can buy the Trust's assets.

What the company is seeking is an agreement from unitholders with 18 per cent of the Trust's units to call an extraordinary general meeting. At that meeting there would be a motion calling for the liquidation of the Trust's assets. That is, an agreement to sell them to Trafalgar House.

But Trafalgar House cannot achieve that without the support of unit holders possessing 75 per cent of the units. So the attempt to gain control of the portfolio could last for months.

The Trust had its property portfolio valued after the initial bid, so that their total value now stands at £204.5m, fractionally above the Trafalgar House offer.

The effect was to raise the bid and offer price for the Trust's units to £2.385 and £2.625. Trafalgar House's unit price is thus roughly in the middle.

But the units can only change hands on a matched basis. Phillips and Drew, the City stockbrokers, run a secondary market, where matched bargains change hands generally at a discount.

Property unit trusts as a group have had to cope with the problem of redemptions as pension funds have switched out of property and into other assets, notably equities. The Pension Fund Property Unit Trust has been an exception. This has left them, and it more vulnerable to bids for their assets.

Magnet & Southern's rises to £44m and plans £71m rights

BY TERRY FOVEY

Magnet & Southern, the home refurbishment and building materials manufacturer and retailer, yesterday announced plans to raise £71m through an issue of convertible preference shares along with pre-tax profits ahead more than two-thirds to £44m for the year to March.

Mr Gordon Brown, Magnet's finance director, said the share issue had been made in order to enable the company to proceed with its smagstore expansion plans.

He explained that while net debt was £42.6m, 22 per cent of shareholders funds in March, the company had a strong cash position.



This year's planned capital expenditure of £70m could not be contained within cash flow from operations.

The rights issue has been made in the form of 73m convertible preference shares on a two-for-five basis "so as to protect ordinary share holders from dilution and to appeal to institutions keen on better yielding stocks," said Mr Brown.

The new shares are convertible from September 1988, the conversion price is 416p and the fixed dividend is 6.25p per share per annum.

Magnet's preliminary results announced along with the rights issue showed operating profits of £46.23m (£27.44m) being made on a turnover of £319m (£248m). After net interest paid of £3.06m (£1.39m), pre-tax profits were ahead £18.79m, almost 70 per cent, from last year's level.

After taxes paid of £15.3m (£9.75m) and an extraordinary debit of £1.24m (debit of £266,000) and the payment of £1m (£8.5m) for dividends, retained profits were £16.63m (£6.54m). The final payout was 3.5p (3.2p) a share, taking the total for the year to 6p (5.2p) on earnings of 15.8p (9p).

comment

The City has long held two very distinct views about Magnet (as the group will soon be renamed) and the rights issue, even though its diluting impact has been softened by a one-year delay, has brought these very much to the forefront again. Tom Duxbury's crusade to shift from the warehouse of not so long ago to the glossier retail-oriented operation of today, while holding on to the manufacturing base (70 per cent of goods sold are own manufacture), has often been seen as a risky venture. Now Magnet is entering the third phase of its development programme, the megastore, and the selling versus storage space formula is being sharply skewed in favour of the shop front. Increasingly, Magnet's largest stores will be shopwindows for goods that will be delivered direct to customers from central depots. The sceptics argue that the group should be able to handle its spending programme—which could total £110m over two years—without appealing to the market for funds and have therefore put out sell recommendations. However, they may not be aware that Magnet is test marketing its formula in the US and, if this succeeds, it wants to be free to move fast in this new market. This year £70m is on the cards which puts the shares, down 19p at 350p, on a fully diluted multiple of 18.

London Investment Trust by any other name would be a lot sweeter. The business of futures and options trading is a long way from the investment trust world of net asset values and discounts and the share price performance seems to have reflected the market's confusion. A change in nomenclature might allow investors to appreciate how quickly the futures and options markets are growing. Now that the commission war seems to be over, LIT's earnings should be of rather better quality—brokers, since they don't take positions, should not be saddled with the speculative tag usually attached to the futures markets. Around £8m looks feasible this year, which puts the shares at 74p, on a prospective p/e of only 13. With the extra spice added by Mr Dupeux's stake, that rating looks pretty undemanding.

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LIT profits boosted by UK futures and options

By Philip Cogan

London Investment Trust, the futures and options broker and clearer, yesterday announced preliminary pre-tax profits above expectations despite the adverse effect of the dollar. The group produces around half its profits in the US.

Exchange rates knocked £250,000 off pre-tax profits although they were still 26.7 per cent higher at £6.02m than the previous year's £4.75m.

The major part of the increase was achieved by Bailey Shatkin, the group's UK futures and options broker, which more than doubled its profits to £1.9m. Shatkin, the US broker, also increased profits to £2.3m after a drop in the previous year, as a shake-out in the market reduced pressure on commissions.

Rialcor Shatkin, the US securities clearing arm acquired in 1984, increased profits to £600,000. The only division to suffer a setback was the head office corporate finance activities where profits fell from £1.37m to £1.32m.

Earlier this month, Mr Paul Dupeux, American businessman, announced he had built up a 19.1 per cent stake in the group. His holding is seen as friendly and he has now joined the board as a non-executive director.

Turnover for the year was £42.76m, up from £35.29m in the previous year. After tax of £2.35m (£1.78m), earnings per share were 4.04p (3.80p). The final dividend is being set at 0.96p (0.82p), making a total of 1.5p (1.29p).

Mr John Arthur, the group's chairman, said that business had started extremely well in the current year and that he expected the company should make substantial progress.

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RHM in £16m US acquisition

By Nikki Tate

Ranks Hovis McDougall, the flour milling and baking group which won a £281m bid for Avana in April, yesterday returned to the acquisition trail with a \$26m (£15.9m) offer for the purchase of National Preserve Company Carriage House Foods in San Jose, California.

Ranks says the privately-owned business, which has annual sales of \$50m and makes/distributes preserves, jellies and peanut butter will complement its existing jam interests in the States and give it a geographical spread from the mid-West to California.

RHM's cash position was strengthened by the sale of its pasta interests in the States for \$88.5m in cash last November. At the time, the group said it felt the proceeds could be used more profitably in developing other businesses.

RHM shares, meanwhile, gained another 3p to 336p yesterday. Speculation that Australian group, Goodman Fielder, was either increasing its 15 per cent stake or planning to bid has been rife recently. However, Ranks said it has had no recent contact with the company, and had not seen any changes in its share register to date which suggested further stake-building.

Expansion in food services gives Salvesen £42m for year

IN SPITE of setbacks in the oil related activities, the Christian Salvesen group lifted its pre-tax profit from £38.78m to £41.98m in the year ended March 31 1987.

Without those setbacks the group would have achieved its expected growth, said Sir Gerald Elliot, chairman. That showed the robustness and underlying growth of the main activities, particularly Food Services Europe, which was 30 per cent ahead of last year.

The year saw the sale of the housebuilding and seafoods divisions—their contribution to profit was £5.2m (£6.6m) and £100,000 (£900,000). Group turnover was £204.53m (£208m). Sir Gerald said although the disposals initially left a £35m cash holding, he believed that could be applied to investment which would give better returns and prospects. The potential was already shown by the continued high investment of £96

UK COMPANY NEWS

Ladies Pride agrees to merger with Leslie Wise

BY NIKKI TAIT

Ladies Pride, the ladies fashion manufacturer where dissident shareholders mounted an unsuccessful takeover last month, yesterday announced that it has agreed to merge with the larger, privately-owned Leslie Wise company, a textile group.

The merger would involve the issue of 20m shares to Leslie Wise — more than doubling the existing equity. Leslie Wise's shareholders have been undertaking to cut their stake from around 70 per cent to 50.1 per cent, via a placing to be handled by Kitchell and Aitken.

The deal is conditional on the approval of shareholders. Yesterday Mr Peter Beswick, a partner in stockbrokers Henderson Crosthwaite and one of the four shareholders seeking

boardroom seats, said, he was "very pleased that some positive action has been taken."

Leslie Wise is an established London-based textile merchant and converter of printed and dyed fabric. It is heavily involved with teenage fabrics and one suggestion is that it could use some of Ladies Pride's capacity to manufacture for this market.

Ladies Pride, meanwhile, takes in Saffron Knitting, which makes jersey fabrics, and could supply to Leslie Wise. Added Mr Wise himself, "What we aim to do is return Ladies Pride to its old self, with new ideas and fabrics."

In the year to end-September 1986, Leslie Wise made pre-tax profits of £714,948 on sales of £5.5m. However, Mr Wise says he expects current year sales to be nearer £12m and profits of around £2m. The company first had bid talks with Ladies Pride some 18 months ago but appears to have had its interest rekindled by the shareholders' action.

Ladies Pride suffered two years of losses in 1984 and 1985 but swung back to a pre-tax profit of £76,000 in the year to end-November. If the deal goes through, Mr Wise will become chairman of the group, and two other LW directors will join the board. Existing Ladies Pride directors will remain on the board.

Ladies Pride shares were suspended at 105 yesterday.



From left to right: James Sullivan, John Holleran, both executive vice chairmen of BPCC, with Robert Maxwell, chairman and chief executive.

BPCC will achieve £1bn turnover claims Maxwell

BY RAYMOND SMOOBY AND NIKKI TAIT

MR ROBERT MAXWELL, chairman of the British Printing and Communications Corporation, claimed yesterday that the company would achieve an annual turnover of £1bn during the current year.

In the year to December BPCC had pre-tax profits of £80.3m on turnover which had risen during the year from £265m to £361m.

Mr Maxwell made the claim that turnover would more than double this year at the company's annual meeting yesterday, the day after announcing a rights issue of £50m.

The BPCC chairman was responding to a shareholder who challenged his plan to make BPCC a company with £3bn-£5bn turnover by the end of the decade "with earnings per share to match."

The shareholder asked was Mr Maxwell really predicting that present earnings per share of 25p would rise to 250p by 1990.

Apart from forecasting this year's turnover Mr Maxwell refused to say what he thought future profits or earnings would be.

But he told shareholders that the rights issue, one of the largest in Britain, would give him the resources to try again to acquire Harcourt Brace Jovanovich, the US publisher.

The issue "will clearly enable us to come back into the fray and buy the company if we can

on fair and successful terms," Mr Maxwell said.

Mr Maxwell also gave a clear hint yesterday that his plans to take Mirror Group Newspapers to the market, in 18 months would most likely be through a flotation rather than a sale to BPCC.

With meetings for analysts and institutions under way yesterday, the City appeared to be in two minds about BPCC's hefty cash call. Alexander Leung & Cruickshank, brokers to the issue, sub-underwrote around £200m-worth with just 14 institutions, and the rest with under 50 — a relatively small number given the amount of paper.

BPCC has never been the most popular stock among institutions, but a number of its larger shareholders said yesterday that they had been happy to underpin the issue.

We are reasonably satisfied with his aspirations in the States," commented one "long-term fan," "he can do his stuff over two or three years, he will have put a good structure in place — after that the thing rolls. We think he has a chance."

"At long last," commented another "long-term fan," "he seems to be putting in some really solid management."

But the enthusiasm was not universal. "We asked for our underwriting to be scaled down," said one fund manager. "I was told it looked good on commercial grounds, but Mr Maxwell always worries me."

Anglo Utd at £4.5m despite oil price fall

Anglo United, the opencast coalmining group in which Hillsdown Holdings took a 29.9 per cent stake last December, met its profits forecast with £4.5m pre-tax for the 17 months to March 31 on turnover of £27.34m.

In the year to end-October 1986, Anglo produced profits of £3.25m on turnover of £17.28m. Earnings per share were 3.3p, compared with 2.4p, and a final dividend of 0.385p will make a total of 1.43p net for the 17-month period.

Directors said the early part of the period had been dominated by the sharp fall in oil prices which severely damaged the group's markets.

Demand from its main customer, the Central Electricity

Generating Board, had dropped, but new markets had been found and the group finished the period with low UK coal stocks.

Six new mines had been opened in the UK and two more were acquired. Operations at Anglo's Pennsylvania anthracite mine had been substantially reduced.

The £11m acquisition of LCP Fuels had been approved by Anglo's shareholders.

The group's progress in the current year was expected to come primarily from organic growth, supported by acquisitions, and the board was confident of a successful outcome for the year.

Tax took £1.7m, compared with £1.4m last time.

Lookers rises to £1.64m in first half

Lookers, Manchester-based car distributor in which T. Cowie, the main Ford dealer, acquired a near 15 per cent stake earlier this year, yesterday reported a £383,000 rise in interim profits to £1.64m pre-tax.

The interim dividend is being stepped up by 0.6p to 2.6p per 25p share from earnings of 14p compared with a previous 10.4p.

The directors said they were continuing to explore expansion possibilities. They pointed out that cash flow was very positive and added that falling interest rates would also help profitability.

During the half year to March 31 the motor division continued to increase its profits. It was noted that although major car manufacturers had considerably reduced their sales bonus payments, resulting in an initial reduction in profits, dealers were gradually restoring margins.

The directors said the long-term trade would benefit from this return to more stable trading conditions.

They said indications were that 1987 sales of new cars would reach a record level — at present the company was experiencing a shortage of certain models of new cars. The used car market was also buoyant.

Turnover for the opening six months rose to £92.3m (£80.7m). Tax accounted for £401,000 (£407,000).

REX WILLIAMS Leisure — regarding recent gain in share prices the directors said negotiations that could lead to one or more acquisitions were continuing, but they felt there was a "degree of speculative interest" in a narrow market which might be "over-enthusiastic" in the short term. They were not aware of any other reasons for the rise.

London Scottish ahead despite heavy costs

London Scottish Finance Corporation yesterday reported a 10 per cent increase in pre-tax profits, from £954,000 to £1,049,000, in six months ended April 28 1987.

The improvement was despite the substantial initial expense of opening seven offices during the period, costs associated with the acquisition of the consumer credit businesses of March the Tailor and Home Supply Finance, and the introduction of a computerised legal system to back up its field debt collection service.

The directors are lifting the interim dividend to 1.1p (0.9p), to be paid from earnings per 10p share up from 2.9p to 3.3p basic, and from 2.8p to 3.2p diluted.

Turnover for the period rose 17 per cent to £7.97m (£6.8m) and the chairman reported turnover up by 24 per cent in the first few weeks of the second half. He added that interest rates started to come down in January and the full effect of that should start to come through in the current period.

Finance costs fell by £5,000 in the half year to £750,000. Tax was lower at £237,000 (£270,000), and retained profits after dividend rose from £669,000 to £837,000.

Govett Strategic's £50m debenture

Govett Strategic Investment Trust is placing £50m of debenture stock 2017 at 87.507 per cent for gross redemption yield of 10.11 per cent. Brokers are de Zoete and Bevan.

The stock will be payable as to £50 per £100 nominal on acceptance and as to the balance on or before September 11. The first payment of interest will amount to £2,026 per £100 nominal and half-yearly thereafter on April 15 and October 15.

Mountview up 32%

Mountview Estates, property dealer, lifted pre-tax profits by 32 per cent, from £5.44m to £7.18m in the year to March 31 1987.

On turnover up by 30 per cent to £10.73m (£8.24m) operating profits moved ahead to £7.21m (£5.55m). The pre-tax result was after lower interest charges of £52,000 (£108,000).

The directors are recommending a 25 per cent increase in the final dividend to 5p, making a 8p (5p) total for the year. Earnings improved from 65.3p to 83.9p per 5p share after tax of £2.51m (£2.17m).

RODGSON HOLDINGS (USM-quoted funeral director) has acquired Coyne's for £1m cash. For year to March 31 1986 Coyne had a turnover of £268,000.

Godfrey Davis profits mark time at £4.5m

BY ALICE RAWSTHORN

Godfrey Davis Holdings, the motor and property services group which has just concluded a merger with the Sunlight Service Group, which is not being referred to as the Monolithic Corporation yesterday announced a virtual standstill in pre-tax profits of £4.55m (£4.49m) in the last financial year.

On completing the merger with Sunlight, which is involved with commercial cleaning, laundry and security services — Godfrey Davis has emerged as a broadly based services group. It has also introduced a younger management team.

In recent years Godfrey Davis has pursued a long term strategy of broadening the base of its business interests to reduce reliance on its motor dealerships, which have suffered from overcapacity and discounting in the car industry.

The Ford main dealership increased both operating profits and turnover to £3.46m (£3.37m) and £114.6m

(£98.67m) in the year to March 31. Mr Neil Benson, deputy chairman, said that this growth was fuelled by the buoyant contract hire business.

Godfrey Davis now operates around 30 residential parks which produced profits of £1.97m (£1.62m) and turnover of £8.37 (£6.31m). But profits from the portable buildings division fell to £1.08m (£1.37m) on turnover which rose to £4.2m (£4.85m).

Mr Benson said that the problems at this business have now been resolved with the introduction of a new management team and a move to a new head office.

Interest payable increased to £1.65m (£1.87m) while interest receivable fell to £13,000 (£75,000). Property profits are expressed as an extraordinary credit of £1.8m (£13,000).

Yet earnings per share rose to 11.5p (£1.6p), boosted by a fall in taxation to £1.32m (£1.44m) due to over-provision in past years. The board proposes a final dividend of 4.0p making 5.5p (4.9p) for the full year.

Good performance puts FII-Fyffes on £3.8m

INCLUDING a full six months contribution to Fyffes, the Dublin-based USM-quoted FII-Fyffes group of fruit and vegetable merchants reported turnover of £117m and a pre-tax profit of £3.83m for the half year ended April 30, 1987.

For the full year ended 1986 turnover was £45.38m and profit £1.69m. By the end of the financial year they had increased to £153.6m and £7.2m respectively, including four months contribution from Fyffes.

The group overall performed well in the first half. Business in the UK made good progress and profitability improved.

Results for the full year were on target and the directors were looking for a satisfactory outcome.

Earnings for the six months came to 1.63p (1.01p) and the interim dividend is 0.35p (0.3p) net. It would have been more but for consequent ACT liability.

Feedback recovering

SOME profit recovery was achieved by Feedback in the year ended March 31 1987 and the dividend is doubled to 2.5p net, with a final of 1.25p.

The group, USM-quoted maker of computer peripheral equipment, lifted its operating profit from £233,000 to £674,000, on reduced turnover of £8.65m (£9.2m). With net interest charges cut from £216,000 to £166,000, the pre-tax profit came to £207,000, against £316,000. All companies operated profitably.

The directors said an improving business climate coupled with the introduction of major new products at Feedback Instruments and Feedback Data suggested that both margins and profitability should show further growth in the current year.

In 1985-86 the profit was £1.28m, but fell to £1.05m and

then to £808,000 in the succeeding years. Dividends in those years were 2.5p and 2.75p. Earnings in 1986-87 came to 5.65p (2.75p) after tax £204,000 (£81,000). Extraordinary debits were £72,000 (£132,000).

WILSON (CONNOLLY) Holdings Imperial Group Pension Investments Imperial Group Pension Trust are now jointly interested in 3.33m ordinary shares (3.8 per cent). They were previously interested in 5.1 per cent and the reduction results from a transfer to the managers of the Courage Pension Fund.

TOOTAL GROUP has made two acquisitions for just under £1m: T. G. Green, a Derbyshire based specialist cast earthenware company, and Copvall, a small photocopy sales and service concern in Stockport Greater Manchester.

ELECTRON HOUSE has completed the acquisition of Conway, a distributor of Intel systems, from Waycom Holdings, for £500,000 cash. Conway, located at Bracknell, had a turnover of £2.47m on which it incurred a pre-tax loss of £98,000 in the year to end-October 1986.

Frederick Cooper spends further £8m on acquisitions

Frederick Cooper, the specialist engineering group, yesterday announced the addition of several new engineering companies to its list of recent acquisitions, for a total payment of £8.1m.

Cooper is to acquire D. D. Lamson, Lamson Nederland, and Lamson Engineering from Crest Nicholson for £7.7m, to be satisfied by the issue of 5.13m new ordinary shares.

Cooper is also to acquire W. E. T. Engineering, New Deftant Products and Pioneer Box for £400,000, to be satisfied by the issue of 266,667 new shares. An additional 244,800 shares are to be issued to finance costs associated with the acquisitions.

All new shares in connection with the acquisitions have been conditionally placed with institutional and other investors at 150p each, pending a clawback arrangement for shareholders, who may acquire four new shares for each 11 existing shares.

The Lamson group manufactures, distributes and installs pneumatic and electro-mechanical conveying equipment used in the food, electronics, chemical, pharmaceutical and nuclear industries. Lamson also manufactures and installs industrial vacuum cleaners and portable suction units with a 15 per cent share of the UK market. Pre-tax profits in the year to the end of October 1986 were £1.45m, based on sales of £10.3m. Net assets were £1.5m.

The W.E.T. group manufactures and distributes architectural door springs, door closers, bearings and rollers for commercial and domestic door gear, and components for valve and hydraulic systems. Profits in the year to the end

of March were £106,000 on a turnover of £1.37m.

Cooper said that recovery of the group's performance for the six months to the end of January was continuing in the second half of the fiscal year.

The company says the shares issued in connection with the acquisitions will result in a market capitalisation for the enlarged group of £34.1m.

Frederick Cooper is active in metal finishing, specialist engineering materials handling and instrumentation, security products, and electrical components.

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Reg. No. 05/05727/08
(Incorporated in the Republic of South Africa)

DECLARATION OF FINAL DIVIDEND No. 79

Final dividend No. 79 of 30 cents per share has been declared payable to holders of ordinary shares, registered in the books of the Company at the close of business on 10 July 1987. The dividend has been declared in the currency of the Republic of South Africa and payments from London will be made in United Kingdom currency. The date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 20 July 1987 or such other date as set out in the conditions subject to which the dividend is paid. These conditions can be inspected at the registered office of the Company and the transfer books will be closed from 11 July 1987 to 17 July 1987, both days inclusive. The 2,080,000 5 ordinary shares to be issued in terms of the rights offer circulated to members on 29 May 1987, will not qualify for this final dividend.

By order of the board
Anglovaal Limited, Secretaries
per: E. J. Thomas

London Secretaries:
Anglo-Transvaal Trustees Limited
295 Regent Street
London W1R 6ST

Registered Office:
Anglovaal House
56 Main Street
2001 Johannesburg
17 June 1987

DIVIDENDS ANNOUNCED				
	Current payment	Date of payment	Corres. Total of pending for last year	Total
Airsprung	3	July 29	—	5.9
Anglo United	0.37	Oct 1	—	1.43††
Christian Salvessen	2.25	—	2	3.53
Countryside Prop	0.83‡	Sept 4	0.56*	1.39*
Equity & General	0.75	—	0.6	1.05
Feedback	2.25	Aug 24	0.2	1.25
FII-Fyffes	0.33*	—	—	1.06*
Godfrey Davis	4	Aug 21	3	5.5
LIT	0.96	—	0.83	1.5
London Scottish Fin Int	1.1†	July 31	0.9	—
Lookers	2.6	—	2	6.4
Y. J. Lovell	1.25	Sept 30	0.85*	—
Magnet & Southern	2.8	Aug 7	3.2	6
Mountview	5	—	4	6.5
Oxford Instruments	1.8	—	1.2	2.4
John Waddington	3.1†	July 2	2.6*	6.5*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. † On capital to be increased by a three-for-one scrip issue. ** Irish currency. †† For 17 months.

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.

U.S. \$75,000,000

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Morgan Stanley International

Salomon Brothers International Limited

Union Bank of Switzerland (Securities) Limited

The issue price of the Bonds is 100 per cent. of their principal amount, plus accrued interest, if any. Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official List.

Interest will be payable annually in arrears on 2nd July of each year, commencing on 2nd July, 1988.

Particulars relating to the Bonds and the Issuer are available in the statistical service of Ertel Financial Limited and copies may be obtained during usual business hours up to and including 22nd June, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 2nd July, 1987 from:

Pacific Dunlop Limited,
23rd Floor, 500 Bourke Street,
Melbourne,
Victoria 3000

Credit Suisse First Boston Limited,
22 Bishopsgate,
London EC2N 4BQ

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Morgan Guaranty Trust
Company of New York,
Morgan House,
1 Angel Court,
London EC2R 7AE

18th June, 1987

UK COMPANY NEWS

Waddington hits £12.2m and expansion ahead

THE STRONG progress made by John Waddington during the opening half year continued through the second six months and for 1986-87 as a whole the packaging and games group saw its profits surge from £6.4m to £12.2m at the pre-tax level.

Turnover for the 12 months to April 4 improved by £38.5m to £131.72m. During the period the group called on shareholders for £22m via a one-for-four rights issue to expand its packaging interests.

In April it acquired Johnson & Jorgensen Packaging for £17m barely two months after snapping up Scottish-based colour printer Gilmour and Dean for £10.2m.

The directors said yesterday that they expected to make further acquisitions although they would continue to adopt a highly selective approach.

They added that the next acquisition was likely to be in packaging and that opportunities were being looked at in the UK and the US.

Profits for the year were struck after adding in £712,000 from the sale of investments and deducting interest payments of £885,000 against previous £1.49m.

Profits broke down as to packaging £3.08m (£4.92m), business forms and security £2.45m (£2.29m) and games £1.44m (£887,000).

Tax accounted for £2.98m (£1.55m) to leave earnings per 35p share at 10.26p (10.17p). A final dividend of 3.1p, as forecast, raises the total from 5.2p to 6p net on the enlarged share capital.

comment
It is not clear how much of this doubling of profits by John Waddington was due to first time contributions from acquisitions. For while about £19m



Victor Watson, chairman of Waddington

of the £33m sales rise came from the new faces, some of these (security printing especially) were running at a loss. However, it is in specialising packaging products that Waddington continues to make impressive progress. The ovenable tray that allows the pastry inside to come crisp out of the microwave is attacking the fast-food market's soft underbelly.

Recent acquisition J & J has a good position in the medical blister pack business plus a useful link into the US via the DTC joint-venture. This was also one of the best years for some time for the games division — although given the uncertainties and the high promotional costs involved, management must sometimes wonder if it is worthwhile contending all this effort on the roll of a dice. This year £20m is in view which puts the shares at 325p on a prospective p/e of 16. Ungeared and keen to boost future growth prospects, Waddington can be expected to be looking at a US acquisition before long.

The company plans to top up the money raised through the issue with £2.67m of its own resources to meet a purchase price of £12.55m for the Eagle Star properties.

These properties include the Lancashire shopping centre and offices in Birmingham and the London suburbs. They produce rental income of £1.2m a year.

The effect of the purchase will be to raise St Modwen's net asset value per share to 18p from 11.1p.

issue announcement. Afterwards the shares moved 6p higher to 70p.

The company plans to top up the money raised through the issue with £2.67m of its own resources to meet a purchase price of £12.55m for the Eagle Star properties.

Countryside Properties profits trebled

By Paul Cheeseright, Property Correspondent

COUNTRYSIDE Properties has had a threefold increase in pre-tax profits for the half year to March 1987 on the back of the private housing boom in the south east.

It announced yesterday a three-for-one scrip issue and declared the equivalent of a 12 per cent increase in the interim dividend.

Taxable profits for the first six months were £4.16m against £1.3m in the comparable period of 1985-86 and £4.15m for the year to September 1986. Earnings per share were 33.5p against 15.2p in last year's first half and £3.1p for the whole of the last financial year.

The surge pushed the shares sharply higher in a thin market. They closed at £11.45p (a rise on the day of £2.12p).

The scrip issue is designed to improve the marketability of the shares, Countryside said. It involves an increase in the authorised share capital from £2m to £12m divided into 48m shares of 25p each. Dealings in the new shares would start on July 13.

The interim dividend of 0.56p will be paid on both the existing and new shares. At this time last year the dividend was 2.25p, equivalent to 0.56p on the proposed new capital base.

The surge in pre-tax profits has come on the back of a turnover which rose 66 per cent to £21.2m compared with the 1985-86 first half. Countryside's housing division brought in over 50 per cent of the gross profit and sales were £15.4m, or 52 per cent higher than in the comparable period.

"The prospects for the remainder of the current financial year look very good and profit for the full year is expected to show a substantial improvement on last year's record profit," said Mr Alan Cherry, the chairman.

Countryside's existing programme covers 2,300 new houses in London, Essex, Kent, Hertfordshire and Suffolk. But it will acquire land for a further 5,000 homes provided planning permission for residential development can be obtained.

About 80 per cent of the group's new housing is on recycled urban land.

ISSUE NEWS

Parkway to join USM marketing services sector

THE MARKETING services sector will gain a new recruit when the Parkway Group, which provides press and poster production services for the advertising industry, joins the USM later this month.

Parkway was formed in 1983 by Mr John Barrett and Mr David Taylor, together with three advertising agencies — Collett Dickinson Pearce, Lowe Howard-Spink & Bell and Wight Collins Rutherford Scott. The three agencies each contributed £15,000 to establish the company as did the two founders.

Initially Parkway offered colour and black and white

advertising production facilities. It has since expanded to embrace photography, typesetting and reprographic services. It is also involved with developing new technological methods of advertising production.

Although the three founding agencies are still Parkway's largest customers, it has broadened the base of its business to accommodate work from other companies. Collectively the three provided 46 per cent of its turnover in the last full financial year. Parkway made pre-tax profits of £484,000 on turnover of £3.2m in the year to September 30. This year it

should make £1m on £10m respectively.

Mr John McKinnon, chairman and chief executive who relinquished his post as WCRS finance director last month to become executive chairman, said that Parkway was going public in order to raise finance for working capital and future acquisitions and to accentuate its independence from the three founding agencies.

In the placing, through Hoare Covett, Parkway will issue 30 per cent of its equity on a prospective p/e in the high teens. After going public, Parkway will be capitalised at £15m.

Britannia's prospectus predicts profits of £1.8m

Britannia, the property developer being floated on the stock market, today publishes the prospectus for its offer for sale. Hill Samuel, the merchant bank, is offering 3.7m shares at 155p each, with Heselbine Moss as stockbroker to the issue.

Britannia is a development and construction group which carries out commercial, industrial, retail and residential projects mainly in the Cheltenham, Gloucester and Swindon areas. Its profits increasingly come from the development side of the business.

The prospectus shows pre-tax profits declining over most of the past five years but they have recovered in the wake of a management buy-out in 1983. The company is forecasting pre-tax profits of £1.8m for the year to December 1987 against £801,000 last time, and it is coming to the market on a prospective price/earnings ratio of 13.46.

The offer for sale closes next Tuesday, and it will probably Tuesday and dealings are expected to begin on Tuesday of the following week.

comment
Britannia may have produced

Saltire Insurance Investments, the newly-floated investment company which specialises in the insurance industry worldwide, yesterday disclosed that its mini-offer for sale had been badly under-subscribed.

A total of 15m shares were issued at 100p each, with 11.25m of them placed with institutional investors and the remaining 3.75m offered to the public. Only 38 per cent of the offered shares were taken up, with 799

applications received for 149m shares. The rest was placed with institutional investors.

Saltire's shares started trading last Friday and ended the day at 105p.

Saltire was only the second company to have chosen the mini-offer-for-sale route to the market since the method was devised last October. The first was Computer People last month.

The issue was sponsored by Marshall & Co (Brokers) and Quilter & Co.

Primerica debut via introduction

Primerica, the US financial services conglomerate which has emerged from the shell of American Can under the aegis of Mr Gerald Tsai, announced yesterday that it has joined the London stock market through an introduction.

Five years ago when Mr Tsai — the present chairman, who made his name in the 1960s as one of the most famous fund managers on Wall Street — joined the group, it was one of the leading bastions of US industry.

Since then it has diversified into the services sector creating a conglomerate with interests in insurance, asset management, mortgage broking, investment banking and specialist retailing. Last year the original American Can packing business was sold and earlier this year the group was rechristened Primerica.

By securing a London listing, arranged by Kleinwort Benson, Mr Tsai hopes to attract more overseas shareholders to the group; at present non-US investors hold 9 per cent of the equity. Primerica plans to seek a listing on the Tokyo stock market later this year.

York Trust makes £5m cash-call

DETAILS OF a rights issue to raise £5,082,773 net and the acquisition of the remaining 65 per cent of London Commodity Futures were announced by York Trust yesterday.

The initial consideration for LCF is £4,012,500 and a deferred consideration related to profits. The initial consideration will be satisfied by the issue of 4,458,333 new York ordinary, of which 2,085,333 have been conditionally placed by Alexander Leung & Cruikshank (A L & C) with institutions and other investors to raise £1.875m

Learmonth placing gives £21.3m tag

THE STORY of a company investing in an expensive new computer system only to be disappointed by its performance is all too familiar. So familiar that Learmonth & Burchett, a USM newcomer has built up a business to solve other companies' computer problems.

Learmonth was set up 10 years ago as a consultancy and training services to enable blue-chip companies to cope with the installation of new computer systems. Yesterday it unveiled proposals to join the USM through a placing of shares, which will value its business at £21.3m.

The company is now involved with consultancy, training and software. From its base in the UK it services clients such as British Gas, ICI, National Westminster Bank and the Ministry of Defence. In the US it works for American Express, Burlington Industries and Standard Oil.

In the year to April 30 it produced pre-tax profits of £1.4m on turnover of £7.6m, respective increases of 54 and 88 per cent on the previous year.

County NatWest is sponsoring the placing in which the company will issue 1.67m shares, or 13.7 per cent of its equity, at 175p a share. This puts Learmonth, with earnings per share of 7.6p last year, on an historic p/e of 23.

Learmonth is going public to facilitate growth by acquisitions but also because Mr John Connolly, one of its founders and a former non-executive director, wants to realise his holding. After the placing, his stake will be reduced from 30 to 12 per cent. The bulk of his shares will be placed but his fellow founders, Mr Roger Learmonth and Mr Rainer Burchett, will each buy some of his shares thereby increasing their holdings from 30 to 32 per cent.

Amercoeur Energy heads for Third Market listing

Amercoeur Energy, a mineral exploration company, is joining the Third Market in a placing of shares which will value its business at £7.3m.

The company is the product of a merger between Dacia, an investment vehicle for the oil industry, and Amercoeur, which is involved with peat and anthracite mining. Amercoeur was formerly a subsidiary of Amercoeur Energy (Canada) which is quoted on the Toronto over-the-counter market.

Amercoeur Energy's interests are now composed of anthracite mining in South Wales; peat extraction and processing in Northern Ireland; and interests in oil, gas and mineral marketing.

It is going public in order to raise capital to develop its anthracite mines and to install an integrated anthracite-processing plant. In the placing, through Brown Shipley with Gilbert Elliott acting as sponsor,

Amercoeur Energy will raise £2.46m with which to fund this proposed expansion.

The company will issue 4.25m shares, representing 38 per cent of its equity, at 65p a share. After the placing its pro forma net assets will be valued at £4.3m with pro forma net assets per share at 85.5p.

Amercoeur Energy is the latest in the flow of companies to join the Third Market, which opened in January. The market's early months were marred by a shortage of new issues. But the pace of flotations has picked up in recent weeks.

YEARLING BONDS totalling £1.15m at 8½ per cent, redeemable on June 22 1988 have been issued by the following local authorities. Alderbury District Council £0.15m; Monkslands District Council £0.75m; Northavon District Council £0.25m.

St Modwen calls for £10m

By Paul Cheeseright, Property Correspondent

St Modwen Properties, which emerged out of Redman Heenan International 15 months ago, is raising £9.8m through a share placing and rights issue to help fund the acquisition of a property portfolio from Eagle Star Insurance.

It announced yesterday that it was issuing 17.9m new shares at 87p. The new shares will be placed with institutions but there is also an open offer to shareholders on the basis of two new shares for every 11 held.

The placing price was at a discount of 7p to the market price prevailing before the

issue announcement. Afterwards the shares moved 6p higher to 70p.

The company plans to top up the money raised through the issue with £2.67m of its own resources to meet a purchase price of £12.55m for the Eagle Star properties.

These properties include the Lancashire shopping centre and offices in Birmingham and the London suburbs. They produce rental income of £1.2m a year.

The effect of the purchase will be to raise St Modwen's net asset value per share to 18p from 11.1p.

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. It does not constitute or contain an offer or invitation to any person to subscribe for or purchase any securities of Primerica Corporation.

PRIMERICA

Primerica Corporation

(Incorporated with limited liability in the State of New Jersey in the United States of America.)

INTRODUCTION TO THE OFFICIAL LIST sponsored by KLEINWORT BENSON LIMITED

Primerica Corporation ("Primerica") and its subsidiaries operate in two sectors in the United States: financial services and specialty retailing. The financial services sector undertakes mutual fund and investment management and offers insurance, mortgage banking and other services. The specialty retailing sector engages in direct mail marketing and specialty store retailing of a wide variety of consumer products.

The Council of The Stock Exchange has admitted to the Official List 74,281,983 shares of Common Stock of US \$1.00 par value per share of Primerica and as at 30th April 1987 58,884,904 shares were in issue, including 5,444,136 shares held in treasury, and 15,397,079 shares were reserved for issue. Dealings in the shares of Common Stock will commence at 9.00am on 18th June, 1987. The shares of Common Stock of Primerica are already listed on the New York Stock Exchange and are registered pursuant to Section 12 (b) of the Securities Exchange Act of 1934 of the United States of America and are traded in the form of bearer depositary receipts on the Amsterdam Stock Exchange.

Listing Particulars relating to Primerica are available in the statistical services of Exel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 20th June, 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 and up to and including 2nd July, 1987 from:

Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DB

Kleinwort Grierson Securities Limited
20 Fenchurch Street
London EC3P 3DB

13th June, 1987

All-round growth helps Y. J. Lovell rise 22%

ALL-ROUND growth helped Y. J. Lovell (Holdings), Buckinghamshire building contractor, to produce a 22 per cent improvement in its interim pre-tax profits to £3.97m.

Turnover for the six months to March 31 rose by 18 per cent to £142,680, and the interim dividend rose from an adjusted 0.95p to 1.25p to reduce disparity with previous payments. Directors said progress across the group had been satisfactory, with optimum balancing between current profit-making activities and investment in the future.

A good performance on the ground, reduction in running costs, substantial expenditure on land and absorption of initial costs involved in the major launch into urban renewal, were indications of balanced progress.

A recently acquired building company in Southern Spain should contribute to results in the next financial year, they said.

Most areas of the group's business had reported increases in both turnover and profit for the first six months. Housing, commercial development, urban renovation, construction and construction related activities were continuing to provide opportunities for profitable

growth amidst significant changes in market conditions. After tax of £1.39m (£1.14m), earnings per share lifted from an adjusted 4.26p to 4.65p.

comment
Lovell has a habit of doing no more than meet brokers' forecasts, and so a 22 per cent rise in profits triggered a 10p decline in the share price to 257p. Such a response is harsh, since the company's activities deftly straddle two polarised aspects of modern Britain: benefiting from ever-escalating house prices in the south-east and urban renewal in the run-down cities of the north. Of the 3,000 units to be built this year, 1,750 will be aimed at prosperous buyers in the south, west and Midlands. A further 900 should be built in conjunction with local authorities, who furnish the cash for the development and help ensure good margins. The balance should grace the inner-city developments undertaken through the PROBE scheme with the Halifax and Nationwide Building societies. Although prospects for straightforward construction remain flat, Lovell should achieve £15m in the full year. This puts the shares on an undemanding prospective multiple of 15.

Compssoft suspended

SHARES in Compssoft Holdings, the computer software group which incurred a £145,000 loss in the six months to end-September 1987, were suspended yesterday morning at the company's request, pending an announcement about the possible acquisition of two private computer software companies.

Negotiations had reached an advanced stage, said the company. The consideration would be satisfied by the allotment of share in Compssoft, whose issued capital would be more than

three times its present size. A circular and notice of the EGM will be sent to shareholders, at which time the preliminary results of the year to March 31 will be announced.

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COMMODITIES AND AGRICULTURE

Tim Dickson assesses the EC's Farm Council president

Bitter struggle for Belgian brewer

LA MORTE SUBITE (sudden death) is the name of a small but famous Belgian brewery owned by the family of Mr Paul de Keersmaecker, the country's Agriculture Minister.

Not surprisingly, given the way this year's EC farm price talks have dragged on through three largely inconsequential meetings, observers have frequently expressed the wish that this dramatic name would inspire him to bring the negotiations to a speedy conclusion.

Mr de Keersmaecker is the current President of the European Farm Council. He has thus been responsible for finding a way through the thicket of opposition to the Commission's restrictive 1987-88 price proposals—namely the so-called accompanying measures on agri-monetary reform and the highly controversial oils and fats tax.

A gentle and mild-mannered man with a reputation for being hard working, his seemingly laid back and softly, softly approach during negotiations has been openly questioned by some member states in recent weeks, not least by the sometimes impatient French and the Dutch delegations.

Criticism has been levelled at Mr de Keersmaecker's alleged inability, until yesterday, to generate any real momentum in the talks and his consistent reluctance to step up the

pressure on Ministers with a few tough all-night negotiating sessions.

To be fair to Mr de Keersmaecker, he suffers in this respect by comparison with his immediate predecessor Mr Michael Jobling, whose amazing stamina carried him through a marathon nine-day Farm Council last December and to ultimate success in the form of important beef and dairy reforms. Mr de Keersmaecker may like an early start to his day but he is well-known as someone who does not readily flinch at the office in the evening.

A lawyer by training, he and his brother took over the family brewery, which produces popular varieties of the local Geuze and Kriek beers, when their father died. He first established himself in local politics in his home base of Kobbegem (Asse), roughly 10 kilometres from Brussels, where his position was described yesterday by one observer as "almost equivalent to the Lord of the Manor".

In the mid-1970s he was a member of the European Parliament, where he was an enthusiastic supporter of the principle of an oils and fats tax (or stabilisation mechanism) along the lines of the Commission proposal which he has been trying to get over the last few months. He became Secretary of State for Agriculture and European Affairs in the centre-right coalition formed by Mr Wilfried Martens in 1981 and has remained in that post since.

Mr de Keersmaecker has retained close contacts with local and European agricultural organisations, though his passion for gold does not go down well with local farmers. Several new courses planned on the outskirts of Brussels have run into stiff opposition from local farmers anxious about this use of steadily diminishing land.

In an interview before this year's farm price discussions got under way seriously, Mr de



Mr Paul de Keersmaecker... gentle and mild mannered

Keersmaecker made clear his appreciation of the anxiety of West German farmers and his expectation that the proposals to reform the system of monetary support for agricultural products (MCAs)—implying further cuts in guaranteed 2-Mark prices—would be fiercely resisted. He was also aware that farming lobbies—and hence some Ministers—felt that they had swallowed enough unpleasant medicine for one year after the milk quotas cuts and reductions in beef price supports under the British Presidency.

Arguably that achievement and the wider international and budgetary issues raised by the oils and fats tax and the MCA reforms have made these negotiations particularly difficult to handle. The critics, on the other hand, say that this year should have been easier, with the milk and beef quotas already effectively out of the way and the stumbling blocks at least clearly identified at an early stage.

It would, however, be foolish to write him off just yet. As chairman of the Farm Council for the first time in 1982, he appeared to be going nowhere until the Belgian Presidency courageously introduced the principle of majority voting for the first time. That tactic outmanoeuvred no less a figure than the French Minister of Agriculture, Mr Raymond Barthe, a formidable defender of British farming interests.

Mr de Keersmaecker has been distributed free to coffee farmers, he said. Mr Bra Kanan criticised coffee farmers, especially in the east and south west, for not participating in the coffee pricing programme. Only 1,600 ha out of a target of 15,000 ha had been planted, he said. The coffee price was 1,575-7, turnover: 2,300 tonnes.

President Houphouët Boigny earlier announced that cocoa and coffee producer prices will be maintained next season. The announcement is regarded as politically significant, as it comes despite the fact that the Caisse de Stabilisation, the state commodity marketing agency, is expected to record a deficit of \$330m this year because of low world commodity prices.

The Government last month announced that it was suspending debt payments because of a financial crisis caused by the collapse in cocoa and coffee prices, which account for about 60 per cent of the country's export earnings.

LONDON MARKETS

COCOA PRICES

On the London futures market built on Tuesday's rally yesterday with the September position gaining another \$5 to \$1,280.50 a tonne. Dealers said concern over dry conditions in West Africa remained a leading market feature although thunder storms had been forecast for central and western Ivory Coast growing regions. Currency was another factor, they said, as was continued support buying on behalf of the International Cocoa Organisation's buffer stock. September futures have now recovered by nearly \$50 from the four-year low reached on Monday, while the rally in the prompt July position has been further enhanced by an apparent supply squeeze. July cocoa advanced by \$10 a tonne yesterday to \$1,234.50 a tonne. Price movements on the London Metal Exchange were generally limited to a few pounds as sterling's early losses against the dollar were regained. The biggest mover was aluminium with high grade metal closing \$7 down at \$1,589.50 a tonne and standard grade \$6 down at \$1,584.50 a tonne. The market's attention was attracted in part to news that Alcan was restarting a pipeline at its Sebree smelter in Kentucky. Dealers observed that if other smelters emulated the Alcan move the supply situation which is underpinning present price levels could seem disappear.

LME prices supplied by Amalgamated Metal Trading.

MAIN PRICE CHANGES

June 17 + or - Month 1987 - 890

METALS

Aluminium... \$1,589.50 -0.50 \$1,589.00
Copper... \$1,584.50 -0.50 \$1,584.00
Gold... \$357.50 -0.25 \$357.25
Lead... \$2,340.50 -0.50 \$2,340.00
Nickel... \$2,340.50 -0.50 \$2,340.00
Platinum... \$1,589.50 -0.50 \$1,589.00
Silver... \$488.50 -0.50 \$488.00
Tin... \$2,340.50 -0.50 \$2,340.00
Zinc... \$1,589.50 -0.50 \$1,589.00

OILS

Crude oil (Phil)... \$55.25 -0.10 \$55.15
Crude oil (Arab)... \$55.25 -0.10 \$55.15
Crude oil (Indo)... \$55.25 -0.10 \$55.15
Crude oil (Mex)... \$55.25 -0.10 \$55.15
Crude oil (Nor)... \$55.25 -0.10 \$55.15
Crude oil (Pers)... \$55.25 -0.10 \$55.15
Crude oil (Venez)... \$55.25 -0.10 \$55.15

GRAINS

Barley... \$2.34 -0.01 \$2.33
Wheat... \$2.34 -0.01 \$2.33
Corn... \$2.34 -0.01 \$2.33
Soybeans... \$2.34 -0.01 \$2.33
Rice... \$2.34 -0.01 \$2.33
Oats... \$2.34 -0.01 \$2.33
Millet... \$2.34 -0.01 \$2.33

OTHERS

Cocoa... \$1,234.50 +0.50 \$1,235.00
Coffee... \$1,234.50 +0.50 \$1,235.00
Rubber... \$1,234.50 +0.50 \$1,235.00
Wool... \$1,234.50 +0.50 \$1,235.00
Hides... \$1,234.50 +0.50 \$1,235.00
Fur... \$1,234.50 +0.50 \$1,235.00
Feathers... \$1,234.50 +0.50 \$1,235.00

ALUMINIUM

99.99% (Unofficial) + or - High/Low
purity (p.p.m.) 6 per tonne

Official closing (am): Cash 99.99-1, three months 99.99-1, settlement 99.99-1, Final Kero close: 99.99-1, turnover: 2,300 tonnes.

Official closing (pm): Cash 99.99-1, three months 99.99-1, settlement 99.99-1, Final Kero close: 99.99-1, turnover: 2,300 tonnes.

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INDICES

REUTERS

June 17 June 16 1987

1617.9 1620.2

(Base: September 18 1981=100)

June 17 June 16 1987

Spot 120.99 120.75

Fut 127.57 128.68

(Base: December 31 1981=100)

DOW JONES

June 17 June 16 1987

Spot 120.99 120.75

Fut 127.57 128.68

(Base: December 31 1981=100)

MAIN PRICE CHANGES

June 17 + or - Month 1987 - 890

METALS

Aluminium... \$1,589.50 -0.50 \$1,589.00
Copper... \$1,584.50 -0.50 \$1,584.00
Gold... \$357.50 -0.25 \$357.25
Lead... \$2,340.50 -0.50 \$2,340.00
Nickel... \$2,340.50 -0.50 \$2,340.00
Platinum... \$1,589.50 -0.50 \$1,589.00
Silver... \$488.50 -0.50 \$488.00
Tin... \$2,340.50 -0.50 \$2,340.00
Zinc... \$1,589.50 -0.50 \$1,589.00

OILS

Crude oil (Phil)... \$55.25 -0.10 \$55.15
Crude oil (Arab)... \$55.25 -0.10 \$55.15
Crude oil (Indo)... \$55.25 -0.10 \$55.15
Crude oil (Mex)... \$55.25 -0.10 \$55.15
Crude oil (Nor)... \$55.25 -0.10 \$55.15
Crude oil (Pers)... \$55.25 -0.10 \$55.15
Crude oil (Venez)... \$55.25 -0.10 \$55.15

GRAINS

Barley... \$2.34 -0.01 \$2.33
Wheat... \$2.34 -0.01 \$2.33
Corn... \$2.34 -0.01 \$2.33
Soybeans... \$2.34 -0.01 \$2.33
Rice... \$2.34 -0.01 \$2.33
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ET UNIT TRUST INFORMATION SERVICE**AUTHORISED
UNIT TRUSTS**

FS Investment Managers Ltd	041-372-6462	Henderson Administration—Cust.		
190 West George St., Glasgow		Exempt Funds		
American Corp. Inc., —204	+0.1	High Income	117.8	-1.8
D Accm	24.4	Sustained Cor	202.4	210.24
FS Balanced Emph Fd	76.7	Europan	130.4	130.4
D Accm	78.5	Japan	206.2	217.0
High-Yield Fund	81.9	Amercan	93.7	98.35
D Accm	83.6	Global Tech	74.6	79.44
HS Energy Fd	33.5	Pacific Ex Tot	221.3	232.58
D Accm	35.7			
FS Gls Globl Fd	59.8			
D Accm	61.4			

[illegible]

BASE LENDING RATES

ABN Bank	9	● Charterhouse Bank	9	Met Bk. of Kans.	9
ABN & Company	9	Citibank N.A.	9	MetWestmore	9
Admiral Bk. Ltd.	9	City Merchants Bank	9	Northern Bank Ltd.	9
Alfred Dunbar & Co.	9	Cyprusbank Bank	9	Norwich Gen. Trust	9
Alfred Irish Bank	9	Comm. Bk. N. East	9	PW Finance, Inc. (UK)	10
Amersham Exp. Bk.	9	Consolidated Bank	9	Princeton Trust Ltd.	10
Amro Bank	9	Co-operative Bank	9/9	R. Blyden & Son	9
Amsterdamsche Bank	9	Credit Lyonnais	9	Reynolds & Co. Finance	9
A.N.Z. Banking Group	9	Deutsche Bank	9	Royal Bk. of Scotland	9
Associated Cap. Corp.	9	Equifax "1" T&C" plc	9	Royal Trust Bank	9
Austrian & Co. Ltd.	9	Eastern Trust Ltd.	9/2	Saml & Williams Secs	9
Banka de Saloon	9	Flaender & Gen. Sec.	9	Standard Chartered	9
Bank Hannover	9	First Nat. Fin. Corp.	10	Trustee Savings Bank	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	10	UFG Bank	9/11
Bank of Cyprus & Comm.	9	● Robert Fleming & Co.	9	United Bk. of Can.	9
Bank of Credit	9	Robert Fraser & Ptns.	10	United Tr. Bank	9
Bank of Ireland	9	Rockwell Bank	9	Union Tr. Bk. of Pa.	9
Bank of Montreal	9	Scotsbank Bank	9/9	Wessex Bank Ltd.	9
Bank of Scotland	9	● Gammas Midway	9	Widemanns Ltd/Land	9
Bankers' Trust Co.	9	WFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hannover Bank	9		

Brooklyn Trust Ltd.	30	W. Hill Capital	19
Barclay Bank AG	9	C. Moore & Co.	9
Brit. Ill. of Wld. East	9	Investing & Group	9
Bryan Capital	9	Urbach Bank	9
Swiss Milge Yel.	9	Wells Fargo & Sav. Ltd.	9
Ct. Bank Nederland	9	Wickham Bank	9
Canada Permanent	9	W. Morgan Grenfell	9
Cajamar Ltd.	9	Wentz Credit Corp. Ltd.	9

FINANCIAL	
deposits	\$2,500-50,000
equities	100-50,000
Top Titles	\$25,000-40,000
margin	7.99% - At call
	\$10,000-100,000
	remain. depts
	\$ call deposits \$1,000 and
	40-45% gross. 50-60% gross
	Demanded deposit 3.
	Mortgage 11.25%

INVESTING FOR BEGINNERS

By Daniel O'Shea

This book is based on a complete series of articles published in the Investors Chronicle under the heading 'Beginners Guide to the Stockmarket'. It explains the basic principles of stockmarket investment

INVESTING FOR BEGINNERS

By Daniel O'Shea

VIXEN

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- 1 How safe are stocks and shares?
- 2 How gilt-edged stocks work
- 3 Equities give you a piece of the action
- 4 How to buy and sell stocks and shares
- 5 Earnings and dividends — and how to measure them
- 6 Understanding company accounts
- 7 Putting the figures to work
- 8 Movements in markets
- 9 Building a portfolio
- 10 Manufacturing companies: the problem areas
- 11 Successes among the retailers
- 12 Banking and insurance
- 13 Investment trusts offer a spread
- 14 How to evaluate property companies
- 15 Understanding the oil market
- 16 Thrills and spills in mining shares
- 17 Overseas trading companies
- 18 Investing abroad: high risks for high rewards
- 19 What scrip issues are all about
- 20 When a company makes a rights issue — the shareholder's sums
- 21 Thrills and spills of the takeover
- 22 New issues — how companies get a quote
- 23 More about gilts — and other fixed interest stocks
- 24 Warrants, options and traded options
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- 27 Using charts and other investment systems
- 28 Your broker and your shares
- 29 Approaching the investment tax sums

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[illegible]

[illegible]

LONDON SHARE SERVICE

Money Market Bank Accounts

AND STORES—Cont. | ENGINEERING—Cont.

INDUSTRIALS—Continued

[illegible]

112	141	Matheson 7 1/2%	141 1/2	23
9	16	Maxwell 10	26	

[illegible]

156	Pacific Dunlop 50.5	209	-9	1010.35	2.1
45	+Pacific Sales 10p	333	-4	3.0	1.4
417	Baker-Kool 'A'	589	+1	117.0	3.2

[illegible]

133	1-800-4-A-Select	196	+1	3.5	2.4
143	Security Services	232	2.04	3.1
163	1-Select Appointment	235	.	1.25	2.8

[illegible]

187	Turner & Newall	287	+4	97.5	2.4
153	UDG Index 100	235	+14	125	3.2

98	Grouping 15a	123	123	17.1	5.1	22.1	
99	Grouping 15b	123	123	17.1	5.1	22.1	
100	Grouping 15c	123	123	17.1	5.1	22.1	
101	Grouping 15d	123	123	17.1	5.1	22.1	
102	Grouping 15e	123	123	17.1	5.1	22.1	
103	Grouping 15f	123	123	17.1	5.1	22.1	
104	Grouping 15g	123	123	17.1	5.1	22.1	
105	Grouping 15h	123	123	17.1	5.1	22.1	
106	Grouping 15i	123	123	17.1	5.1	22.1	
107	Grouping 15j	123	123	17.1	5.1	22.1	
108	Grouping 15k	123	123	17.1	5.1	22.1	
109	Grouping 15l	123	123	17.1	5.1	22.1	
110	Grouping 15m	123	123	17.1	5.1	22.1	
111	Grouping 15n	123	123	17.1	5.1	22.1	
112	Grouping 15o	123	123	17.1	5.1	22.1	
113	Grouping 15p	123	123	17.1	5.1	22.1	
114	Grouping 15q	123	123	17.1	5.1	22.1	
115	Grouping 15r	123	123	17.1	5.1	22.1	
116	Grouping 15s	123	123	17.1	5.1	22.1	
117	Grouping 15t	123	123	17.1	5.1	22.1	
118	Grouping 15u	123	123	17.1	5.1	22.1	
119	Grouping 15v	123	123	17.1	5.1	22.1	
120	Grouping 15w	123	123	17.1	5.1	22.1	
121	Grouping 15x	123	123	17.1	5.1	22.1	
122	Grouping 15y	123	123	17.1	5.1	22.1	
123	Grouping 15z	123	123	17.1	5.1	22.1	
124	Grouping 15aa	123	123	17.1	5.1	22.1	
125	Grouping 15ab	123	123	17.1	5.1	22.1	
126	Grouping 15ac	123	123	17.1	5.1	22.1	
127	Grouping 15ad	123	123	17.1	5.1	22.1	
128	Grouping 15ae	123	123	17.1	5.1	22.1	
129	Grouping 15af	123	123	17.1	5.1	22.1	
130	Grouping 15ag	123	123	17.1	5.1	22.1	
131	Grouping 15ah	123	123	17.1	5.1	22.1	
132	Grouping 15ai	123	123	17.1	5.1	22.1	
133	Grouping 15aj	123	123	17.1	5.1	22.1	
134	Grouping 15ak	123	123	17.1	5.1	22.1	
135	Grouping 15al	123	123	17.1	5.1	22.1	
136	Grouping 15am	123	123	17.1	5.1	22.1	
137	Grouping 15an	123	123	17.1	5.1	22.1	
138	Grouping 15ao	123	123	17.1	5.1	22.1	
139	Grouping 15ap	123	123	17.1	5.1	22.1	
140	Grouping 15aq	123	123	17.1	5.1	22.1	
141	Grouping 15ar	123	123	17.1	5.1	22.1	
142	Grouping 15as	123	123	17.1	5.1	22.1	
143	Grouping 15at	123	123	17.1	5.1	22.1	
144	Grouping 15au	123	123	17.1	5.1	22.1	
145	Grouping 15av	123	123	17.1	5.1	22.1	
146	Grouping 15aw	123	123	17.1	5.1	22.1	
147	Grouping 15ax	123	123	17.1	5.1	22.1	
148	Grouping 15ay	123	123	17.1	5.1	22.1	
149	Grouping 15az	123	123	17.1	5.1	22.1	
150	Grouping 15ba	123	123	17.1	5.1	22.1	
151	Grouping 15bb	123	123	17.1	5.1	22.1	
152	Grouping 15bc	123	123	17.1	5.1	22.1	
153	Grouping 15bd	123	123	17.1	5.1	22.1	
154	Grouping 15be	123	123	17.1	5.1	22.1	
155	Grouping 15bf	123	123	17.1	5.1	22.1	

268	Comm. Union	365	+13	13.0	-
68	H. Dewey Warner 10p.	254	-4	-	-
370	Emergency				

13	180	F&I Insurance	540.10	233%	+2	8.00	3.0	0.4
14	800	Gen. Accident		1072.70	+10			0.4
15	773	GRE		210.00	+4	28.00	3.7	0.5
16	437	H-wats (C) 200		210.00	+4	28.00	3.7	0.5
17	351	Huggs Robinson		773	+6	24.99	1.4	7.2 13.2
18	259	Lopez & General		145	+19	19.25	3.7	20.9
19	127	Lincoln Nat. Con	51	360	+4	9.25	3.7	0.7
20	200	London & Man.		230	+3	051.94	3.7	0.7
21	699	London United 200		437	+3	7.16	3.7	0.7
22	434	Marshall McLenn 51		795	+16	20.00	2.6	34.1
23	236	Minnet Hous. 200		740	+3	052.40	1.6	3.6 21.3
24	60	NI Con SN 20.50		361	+17	9.63	2.7	3.6 13.4
25				71	+1	021%	0.7	5.0

MINES—Continued

Stock	Price	+ or -
Gern Exp & Minerals	57	+3
GM Kalpana 25c	413	-5
GM Victoria Gold	80	-1
Harco Investments 20c	230	0
Hill Minerals N.L.	64	-2
Independent Res Ltd	420	0
Imacon Ocean Res	48	-2
Iron Pacific N.L.	6 1/2	0
Innovative Gold 20c	28	0
Int. 30c	58	0
Jason Mining 20c	98	0
Jettette Mts	50	-1
Julia Mines N.L.	112	-2
Malabar Min 20c	23	0
Malva Gold 20c	43	-1
Minchener N.L. 25c	68	0
Moetharra 20c	63	+2
Metals Ex 50c	57	0
Metcon Minerals N.L.	83 1/2	-20

[illegible][illegible][illegible][illegible]

quoted in		in U.S. currency	
10	10000	10	10000
11	10000	11	10000
12	10000	12	10000
13	10000	13	10000
14	10000	14	10000
15	10000	15	10000
16	10000	16	10000
17	10000	17	10000
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91	10000	91	10000
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96	10000	96	10000
97	10000	97	10000
98	10000	98	10000
99	10000	99	10000

LONDON STOCK EXCHANGE

Equities at new peaks although British Gas fails to attract foreign investors

Account Dealing Dates
Option
First Declara- Last
Dealing Date Dealing Day

Jun 1 Jun 11 Jun 12 Jun 22
Jun 15 Jun 25 Jun 26 Jun 6
Jun 23 Jun 7 Jun 10 Jun 20
New time dealings may take place
from 9.00 am two business days earlier.

Hope continued to triumph over
experience on the UK stock market
yesterday, when the major
indices moved up to new peaks
despite the absence of the foreign
buyers still regarded as the key to
the outlook for share prices.

The domestic institutions
remained unwilling to let equity
prices fall too far, and entered the
market at the opening, brushing
aside early weakness in the pound
and the bond market.

The market's advance was
narrowly-based, however, and a
mid-session gain of 18 points on
the FT-SE index leaned heavily
on strong rises in BSE and
International, Unilever and Glaxo.

At the close, the FT-SE 100 had
gained a net 11.4 to a new peak of
2320.4, while the FT Ordinary was
7.2 up at 1801.7, the first move
above 1800.

Traders admitted to a somewhat
lacklustre session, indicative of
the market's relative lack of
enthusiasm was British Gas,
which shed 13 to 365p, while com-
modity interest despite the
announcement of profits above
City expectations.

Among the other privatisation
issues, British Aerospace con-
tinued to weaken and British Air-
ways could make no headway.

Banking and insurance issues
had a quieter session, making
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Shares in the housebuilding
sector, although also potential
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With US oil prices continuing to
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But much of the interest lay with
the UK consumer stocks which
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extended the sharp rise of the
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However, the outlook for
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close in the gilt-edged security
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Traders said that the switching
showed no particular pattern but
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Bonds closed a net 1/2 up, spurred
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prices had been 3/4 down, although
the rally set in before 10.00 am.
Sterling continued to hold the key
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The excitement generated in
the banking sector on Tuesday by
NatWest's provision against
sovereign debt loans quickly
evaporated and prices went
easier, reflecting light profit-taking.
Barclays settled 11 lower at
563p, while Midland, still plagued
by rights issue rumours, shed 3 to
618p. Lloyds managed a minor
gain at 600p, while NatWest held
steady at 751p. Standard Chartered
continued to ease back as bid
speculation waned and the close
was 10 down at 783p. Elsewhere,
London and Scottish added 3 to
106p, following the J. Lenell
figures and optimistic statement.

Composite Insurances attracted
good support and made useful
headway before settling a shade
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which rose 13 to 365p, New
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FINANCIAL TIMES STOCK INDICES											
	June 17	June 16	June 15	June 14	June 13	Year ago	1987	Since Completion		1987	
								High	Low	High	Low
Government Secs	92.38	92.28	92.04	92.70	92.64	90.63	93.32	84.49	127.4	49.18	49.18
Fixed Interest	98.85	99.08	99.12	98.79	98.84	96.56	99.12	90.23	105.4	50.53	50.53
Ordinary V	1801.7	1794.5	1786.6	1767.9	1740.8	1340.1	1801.7	1302.2	1801.7	1302.2	1302.2
Gold Mines	380.2	388.7	388.1	409.3	399.2	220.9	482.0	288.2	734.7	43.5	43.5
Ord. Div. Yield	3.17	3.19	3.20	3.24	3.28	4.11	3.17	2.82	3.17	2.82	2.82
Earnings Yld. (%)	7.66	7.71	7.74	7.81	7.91	9.90	7.66	6.41	7.66	6.41	6.41
P/E Ratio (net)	16.09	15.99	15.93	15.79	15.58	12.29	16.09	13.02	16.09	13.02	13.02
SEAR Barnings (%)	52.863	52.118	52.291	69.647	60.011	—	52.863	42.1	52.863	42.1	42.1
Equity Turnover (%)	1715.75	2362.83	1877.58	548.40	—	—	1715.75	160.7	1715.75	160.7	160.7
Equity Value	63.295	68.993	74.477	55.886	22.318	—	63.295	43.1	63.295	43.1	43.1
Shares Traded (ml)	—	768.3	956.2	652.9	242.2	—	—	3763.5	352.2	—	—

Opening 1800.1 10 a.m. 1802.6 11 a.m. 1802.9 Noon 1803.4 1 p.m. 1804.0 2 p.m. 1805.3 3 p.m. 1802.8 4 p.m. 1801.8

Day's High 1806.1 Day's Low 1798.2 BSE 100 Govt. Secs 1510.26, Fixed Int. 1928, Ordinary 17735, Gold Mines 129.55, SE Activity 1974, "NI"=15.77.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 02-246 6026

to 307p, while substantial interest
was also noted for Next, 353p, and
Gossie's, 14 1/4 up at 7 1/4 and 7 1/4
respectively.

Elsewhere, Coats Vyeille
returned to the fore, closing 29p
dearer at 697p reflecting support
ahead of the impending one-for-
one share split. A "buy" recom-
mendation from BZW lifted Ward
White and few pence to 428p.

Amber Day, still drawing strength
from the increased holding by a
consortium headed by Irving Sel-
lar, touched 89p before settling
another 8 to the good on balance
at 84p; USM-quoted John Keat, in
issue in convertible preference
shares, Elsewhere, the J. Lenell
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ings growth prospects and above
average yield by Richard Har-
wood of Morgan Grenfell, ad-
vanced 6 to 70p.

Among Engineers, Frederick
Cooper gained 6 to 171p on the
acquisition of Crest Nicholson
for £7.7m from Crest Nicholson
and the purchase of privately
owned WET Group to be financed
by a vendor placing at 150p per
share. Elsewhere, Birmid Qual-
cast gained 9 to 256p, while
DeWitt was noteworthy for a
gain of 30 to 410p.

Kwik Save, the Liverpool-based
discount grocery and supermarket
chain, again made the running in
a lively Foods sector, to close
another 19 to the good at 380p
amid vague chatter of a possible
approach from a leading retail
group in the Far East; the shares
saw a rise of 43 so far this week,
largely reflecting a strong recom-
mendation from a leading broker.

ASDA-MFI, despite a few pence
loss in the absence of immediate
takeover developments, but after-
hours interest was noted for
recent bid favourite Bejam which
put on 8 1/2 to 214 1/2p.

Elsewhere in Foods, consid-
erable attention was again directed
towards BEM which topped 364p
amid fresh hopes of a full bid from
Australia's Goodman Fielder
before finishing only 3 up on
balance at 356 1/2p. Publicity given
to a broker's circular lifted Cal-
bury-Delaware a few pence to
277p, while distributors Christian
Salveson, down to 184p at one
stage, settled a couple of pence
dearer on balance at 179p after
revealing annual results in line
with general expectations. Bunter
Saphir improved 8 1/2 to 326p,
helped by a bullish circular from

brokers Gilbert Elliott. Sympathetic
support was evident for Geest,
286p, while Squirrel House, rose 12
to 181.7p.

Elsewhere in the chemicals
sector, Pilkington was in the
news after the preliminary
figures prompted a reaction of 8 to
325p in J. Waddington.

Asda Property continued to
lead the way in the wake of Tues-
day's bid approach announce-
ment, the price rose 35 more to
765p, a two-day gain of 115p. A
Cairst, still boosted by news of the
strike switching and boardroom
changes, advanced 16 more to
215p. St. Mowen put on 6 to 70p on
the basis of the acquisition of por-
tfolio properties from Eagle Star
Insurance for £12.5m to be
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open offer. Parkdale jumped 18 to
147p and Bradford Property rose
43 to 865p.

British Gas attracted sizable
business both prior to and after
the preliminary figures, but
closed a shade cheaper on
balance at 188 1/2p having touched
191p at one stage; 42m shares were
traded. British Petroleum revived
with a gain of 8 1/2 to 338p and Shell
fresh progress at 27p.

South African mining shares
firmed up yesterday on the back
of some small interest from Johan-
nesburg. Firms in the rand
brought a general mark-up in dol-

lar prices towards the close, but
traders warned that there was very
little buying support.

Both the Continental domestic
houses kept out of the way.
However, currency factors
lowered sterling prices, and the
FT Gold Shares index ended 8.5
down at 380.2.

Motor Components featured a
sharp rise in Aairflow Stream-
lines, finally 37 dearer at 183p;
the shares have undergone a substan-
tial rise since the group
announced pleasing full-year
figures at the start of the month.

The auction for Associated Book
Publishing came to an end yester-
day when International Thomson
made a recommended offer worth
700p per share for the company.
ASP shares closed 30 higher at
705p. Pearson, which also sub-
mitted a formal offer for the com-
pany, rose 22 to 652p. In complete
contrast, Lowe Howard-Spink and
Bell came under selling pressure
as various adverse market
rumours unsettled sentiment and
despite reported denials by the
company, the shares closed 40
lower on the day at 444p. Profit-
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lower on the day at 444p. Profit-
taking after the preliminary
figures prompted a reaction of 8 to
325p in J. Waddington.

Asda Property continued to
lead the way in the wake of Tues-
day's bid approach announce-
ment, the price rose 35 more to
765p, a two-day gain of 115p. A
Cairst, still boosted by news of the
strike switching and boardroom
changes, advanced 16 more to
215p. St. Mowen put on 6 to 70p on
the basis of the acquisition of por-
tfolio properties from Eagle Star
Insurance for £12.5m to be
financed by a share placing and
open offer. Parkdale jumped 18 to
147p and Bradford Property rose
43 to 865p.

British Gas attracted sizable
business both prior to and after
the preliminary figures, but
closed a shade cheaper on
balance at 188 1/2p having touched
191p at one stage; 42m shares were
traded. British Petroleum revived
with a gain of 8 1/2 to 338p and Shell
fresh progress at 27p.

South African mining shares
firmed up yesterday on the back
of some small interest from Johan-
nesburg. Firms in the rand
brought a general mark-up in dol-

lar prices towards the close, but
traders warned that there was very
little buying support.

Both the Continental domestic
houses kept out of the way.
However, currency factors
lowered sterling prices, and the
FT Gold Shares index ended 8.5
down at 380.2.

Motor Components featured a
sharp rise in Aairflow Stream-
lines, finally 37 dearer at 183p;
the shares have undergone a substan-
tial rise since the group
announced pleasing full-year
figures at the start of the month.

The auction for Associated Book
Publishing came to an end yester-
day when International Thomson
made a recommended offer worth
700p per share for the company.
ASP shares closed 30 higher at
705p. Pearson, which also sub-
mitted a formal offer for the com-
pany, rose 22 to 652p. In complete
contrast, Lowe Howard-Spink and
Bell came under selling pressure
as various adverse market
rumours unsettled sentiment and
despite reported denials by the
company, the shares closed 40
lower on the day at 444p. Profit-
taking after the preliminary
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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

NYSE COMPOSITE CLOSING PRICES

[illegible]

AMEX COMPOSITE CLOSING PRICES

[illegible]**OVER-THE-COUNTER** *Nasdaq national market, closing prices*

Sales (thous)	High	Low	Last	Chng	Sales (thous)	High	Low	Last	Chng	Stock	Sales (thous)	High	Low	Last	Chng	Stock	Sales (thous)	High	Low	Last	Chng		
AD&C	27	23	23		Charmelle	36	36	30	+3	Finigan	2	17	17	+	JohnLyn	43	25	17	18	18	+1		
ADP	25	30	13	12%	Carlisle	55	50	24	24	+	FLA&B	76	13	26	22	22	Johnel A.Tee	43	25	17	18	18	+1
ADP	25	30	13	12%	Carlisle	55	50	24	24	+	FLA&B	76	13	26	22	22	Justice	43	25	17	18	18	+1
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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Profit-taking prevents rise to record

WALL STREET

PROFIT taking robbed the Dow Jones Industrial Average of a further record yesterday as Wall Street stocks drifted on moderately heavy volume, writes William Hall and Roderick Oram in New York.

Credit markets showed strength through the day, helped by some encouraging economic news. Bond prices rose as much as half a point.

The Dow Industrial index finished unchanged at 2,407.35, the record level it set on Tuesday. At its best it had been up about five points.

Broader market indices managed small rises to record levels with the Standard & Poor's 500 adding 0.06 to 304.82 and the New York Stock Exchange composite index gaining 0.10 to 1,714.55. NYSE volume rose to 185.6m shares from 177m on Tuesday with an equal number of issues advancing as declining.

IBM slipped 5% to \$161 and General Electric shed 3% to \$53.4 while several other blue-chips registered gains. AT&T was up 3% to \$74 on more than 10m shares, making it the most active NYSE issue. Several analysts have raised their opinions on the stock following an official filing with the Federal Communications Commission which shows that the group's communications business had a better-than-expected performance in April.

Sears Roebuck rose 5% to \$51.4 and Du Pont, which is benefiting from positive publicity about an anti-Aids drug, was 3% higher at \$118. Digital Equipment, which has slashed the prices on its computer workstations in a bid to bolster its position in a fast growing market where it is underrepresented, rose 5% to \$168.

Firm oil prices were reflected in further gains by oil. Atlantic Richfield rose 3 1/4% to \$54.50 helped by an analyst's suggestion that further restructuring may be ahead. Exxon was up 3 1/4% to \$69.4 and Occidental Petroleum was up 3% to \$37.4. Texas, which this week took its battle with Pennzoil to the Texas Supreme Court, edged up 3% to \$38.4 but Phillips Petroleum was 3% easier at \$16.4.

Among the takeover stocks, JWC was unchanged at \$52. The advertising and public relations group rejected the \$45 per share bid from Britain's WPP Group but said that its management would consider all "reasonable alternatives" including WPP's offer to raise its bid to \$50.50 per share. There have been persistent rumours that JWC has been talking to MCA, a Hollywood film producer, to rescue it from the attentions of the small but aggressive WPP which is headed by the former finance chief of Seastech & Seacell.

Allstate edged up 3 1/4% to \$80 on news it had received another offer for its United Airlines subsidiary from another group of employees.

Southland Corporation, which had jumped by 8% on Tuesday fol-

lowing rumours that the company was working on a recapitalisation plan to ward off a hostile predator, fell 5% to \$64. Dayton Hudson, another rumoured retail store takeover candidate, fell 5% to \$54.4.

In the financial sector performance was mixed. American Express dropped 3% to \$35.4 and First Boston, which has warned that it will report a second quarter loss because of heavy trading losses suffered during the collapse in bond prices in April, dropped 1% to \$44.4. Merrill Lynch, a major rival which some weeks ago reported a \$385m loss on its mortgage trading operations, slipped 3% to \$38.4.

Some insurance stocks were firm. Cigna, AIG and Travelers all rising 3% to \$63, \$71.4 and \$45.4 respectively.

The shares of the US money centre banks, which have had a strong rally over the last month, were mixed. Manufacturers Hanover, which announced a massive \$1.7bn increase to its loan loss reserve this week, rose 3% to \$45.4 but Bankers Trust which also increased its loan loss reserve substantially fell 1/4% to \$53.4. Mellon, which has hired a new chief executive to revitalise the group, fell 3% to \$35.4 in early trading yesterday. By contrast Citicorp shares, which have risen by a quarter over the last month, added 3% to \$62.4.

The shares of GenCorp, which reported a \$25m second quarter loss yesterday, rose 5% to \$10.4. Jim Walter Corporation's shares fell by 3% to \$5.4 despite reporting a rise in third quarter earnings.

Credit markets opened a touch firmer because of some buying overnight abroad, but prices slipped slightly as the dollar eased back from its peak levels.

The benchmark 8 1/2% per cent Treasury long bond was up 1/4% of a point at 103 1/2 yielding 8.42 per cent by early afternoon. Shorter maturities showed similar modest gains while Treasury bill rates were unchanged to a fraction higher. Trading was light.

Both currency and bond prices gained a brief boost from news that the growth in first quarter gross national product was revised to 4.5 per cent at an annual rate from 4.4 per cent.

CANADA

STRONG banking shares lifted Toronto modestly higher although most other sectors were sluggish.

Royal Bank of Canada gained 3 1/4% to \$33.34 in active trading. Toronto Dominion put on 3 1/4% to \$28.84 and Canadian Imperial Bank of Commerce rose 3 1/4% to \$32.14.

International Thomson, which said it had acquired control of Associated Book Publishers of the UK, lost 3 1/4% to \$31.4.

Gold was down. Campbell Red Lake fell 3 1/4% to \$34.4 and Dome Mines 3 1/4% to \$31.74.

Montreal was also helped higher by banks.

Ann Charters on a welcome boost for a troubled market

Brazil price freeze sends shares soaring

BRAZIL'S two major stock exchanges have soared in response to the government's economic programme announced at the weekend freezing prices for 90 days as part of a renewed effort to curb the country's galloping inflation.

The Bovespa index on the Sao Paulo Stock Exchange was up 21.5 per cent on Tuesday, the first day of trading after the measures were unveiled. This was the second largest gain in a single day since March 4, 1986, when the index rose 23.2 per cent following

the Government's first price freeze.

The Rio exchange made a 14.1 per cent jump on Tuesday.

Euphoria gripped traders at the Sao Paulo exchange as orders poured in during the day. Volume increased 402.7 per cent to 3,198m (\$55m), still small in historic terms but the largest figure for six months.

Analysts said the bullish mood reflected short-term optimism about the government's economic plan at a time when inflation

has been increasing at over 20 per cent a month. It was also caused by the expiry of options on Tuesday: half the volume resulted from options trading.

The Bovespa index, which reflects the 125 most widely traded shares, closed 1,861 higher at 8,865, still well below last year's record high of 20,394 in April 1986 when small investors swelled the market seeking better returns than financial markets offered at the time.

The stock markets have been

severe depressed in recent months because of the financial crisis and the inflation rate.

The analysts recommended continued caution yesterday, saying that it was not yet clear whether the economic package could offset the effects of economic recession and the reduced buying power of consumers, which will affect companies' performance.

Their advice to investors included selective purchasing, focusing on exporting companies.

EUROPE

Zurich, Amsterdam rise sharply as dollar firms

DOMESTIC concerns trimmed the recent gains made in most European equity markets, with only Swiss shares taking heart from the steady dollar. West German markets were closed for a two-day holiday.

Zurich rose in sharply higher turnover as blue chips led broad advances.

Employment issue Adia led the field with a SFR 700 leap to SFR 12,000, continuing a rise which has seen it gain nearly 13 per cent since June 11. Quality control group Surveillance also moved up a further SFR 250 to SFR 3,950.

Financials improved. Union Bank hearse rose SFR 50 to SFR 4,075 and Swiss Bank hearse rose SFR 6 to SFR 435. Bearer shares of insurers Swiss Re and Winterthur strengthened by SFR 200 and SFR 150 respectively to SFR 18,000 and SFR 6,325.

Ciba-Geigy hearse added SFR 130 to SFR 3,450. The chemicals group said it has signed a definitive merger with Spectra-Physics of the US.

Paris eased in a market softened both by the approach of the closing date for June accounts and general bearishness over high French interest rates.

News that France's preliminary retail index rose up 0.2 per cent in May after a 0.5 per cent rise in April was released too late in the session to affect trading.

Steel group Vallourec took a FFR 12.50 tumble to FFR 60.50 on news that the group is expected to make a large loss for 1987.

LONDON

SELECTIVE buying by domestic institutions drove London equity prices to another record close in an otherwise lacklustre session. Foreign investors, generally seen as crucial to supporting prices in the longer-term, were still shy of the market.

The FT-SE 100 index closed up 11.4 at a new high of 2,320.4 and the FT Ordinary index was 7.2 higher at 1,801.7, the first close above 1,800.

Government bonds closed firmer, helped by a strong finish in the futures market. Details, Page 32.

Household appliances group Moulinex also fell heavily, losing FFR 5.30 to FFR 89.70. In electronics, Radiotechnique gave up FFR 22 to FFR 1,475, Legrand lost FFR 40 to FFR 5,540 and SFIM dropped FFR 80 to FFR 1,470.

The car sector succumbed to profit-taking. Michelin gave up FFR 55 to FFR 3,265 and Peugeot FFR 15 to FFR 1,531.

Food, however, ran against the trend and Lesieur continued its strong gains to add FFR 66 to FFR 2,035.

Amesbury rose sharply in busy trade which was underpinned by optimism over a strong Wall Street and inflated by the continued publishing takeover battle.

Publishing takeover target Kluwer finished FFR 4.50 down at FFR 390 after a brief suspension during

which its chairman gave a press conference on its merger with Wolters Kluwer, which fell FFR 5.50 to FFR 132. Elsevier, its hostile bid for Kluwer thwarted by the merger, eased 80 cents to FFR 52.20.

Other sectors were stronger, however, with the five international stocks dominating trade. Royal Dutch, the day's most active, gained FFR 1.70, Akzo added FFR 3.50 to FFR 142.20, and Philips rose FFR 1.10 to FFR 49.10. KLM was steady at FFR 49.80, but Unilever lost FFR 6.50 to FFR 683.50.

Brussels finished mixed in a featureless session. The stock exchange index rose 3.53 to 4,871.82.

Profit-takers trimmed some of the week's gains. Steelmaker Cockerill Sambre and chemical Solvay bore the brunt and fell BFR 7 and BFR 300 respectively to BFR 175 and BFR 12,100.

Among the blue chips which suffered, Fiat ordinary was 158 lower at L13,032 and Montedison lost L32 to L2,560. Olivetti, however, added L48 to L13,550 in advance of the launch of new products.

Stockholm was higher after a series of positive economic indicators boosted the market. The Vekans Affair all-share index rose 7.1 to 1,044.3.

Buying was sparked by better-than-expected trade figures and by a forecast of buoyant economic growth from the Swedish employers' federation.

Skanska jumped SKr 10 to SKr 285 and Mobo picked up SKr 5 to SKr 300. Saab-Scania also posted a rise of SKr 5 to SKr 621.

Elsewhere, Volvo added SKr 2 to SKr 220. Ericsson fell SKr 3, however, to SKr 265.

Oleo eased in thin trade following some profit-taking. Banks and industrials gave ground.

Madrid fell slightly in advance of the release of inflation figures for May, which came after the close. Banks eased but chemicals made some gains.

NTT role for foreign brokers restricted

By Our Tokyo Staff

THE JAPANESE Ministry of Finance has offered 20 securities houses a role in the second tranche of government-held Nippon Telegraph and Telephone (NTT) shares due to be released in October - choosing an underwriting syndicate which appears effectively to exclude foreign brokers.

According to the MoF, it has based membership of the syndicate on experience in the initial NTT share sale last year. Another sales syndicate of 14 companies including 35 foreign securities houses will be formed to take a subsidiary role in the offer this autumn.

Some foreign brokerage houses had been expected to join the underwriting syndicate as a way of developing a future equity business in NTT, the telecommunications utility which now ranks as by far the world's largest company by market value.

Other firms have been less enthusiastic, pointing to NTT's flat earnings expectations and a lack of clarity about overseas ownership rights for its shares.

Foreigners were excluded from the offer of the first tranche of 1.95m NTT shares, which came to the market in February. The US congressional delegation which visited Japan in April pressed strongly for a larger share for US securities houses in domestic Japanese corporate underwriting.

There is a dominant opinion within the government opposing outright sales of NTT shares overseas by foreign brokers overseas, although there have been moves to block foreign purchases of its equity in the secondary market.

Japanese securities industry officials pointed out that if foreign brokers are prohibited from selling NTT shares overseas when the next tranche is issued, their marketing capability in the domestic market would not be sufficient to give them a primary role.

ASIA

Retail optimism fuels Nikkei

TOKYO

EXPECTATIONS of an economic revival and steady consumer spending spurred demand for department store and supermarket stocks and pushed Tokyo prices to a record close yesterday, writes Shigeo Nishitani of Fuji Press.

The Nikkei average firmed 190.58 to a new high of 25,929.42 on a volume of 1,130.96m shares, up from 1,030.53m on Tuesday. Advances outpaced declines by 522 to 407, with 131 issues unchanged.

Traders said that hopes for an economic revival were sparked by Tuesday's announcement that Japan's GNP for the first quarter grew at an annualised rate of 4.9 per cent in real terms. The growth was led mainly by strong consumer spending.

Consumption-related stocks were buoyed by the news with Tokyo Department Store soaring 780 to 21,240, Isetan 780 to 21,720 and Musukoshi 740 to 1,780.

Supermarket chain operators and consumer credit firms also advanced. Jusco climbed 7100 to 21,620, Ito-Yokado 230 to 21,450 and Nippon Shuppan 250 to 21,450.

Kawasaki Steel topped the active list, with 195.50m shares changing hands, adding 23 to 2263, in a firm steel product market. Ishikawajima-Harima Heavy Industries rose 27 to 2765 and Mitsubishi Heavy Industries 217 to 2617, while Nippon Steel shed 20 to 2357 and Sumitomo Metal Industries 24 to 2245.

Large-capitals remained relatively easy, as institutional investors kept a low profile, dealers said.

Some chemicals attracted small-lot buying on recovering demand for chemical products, with Shin-Etsu Chemical advancing 790 to 21,040, Mitsubishi Petrochemical 225 to 2770 and Ishihara Sangyo 235 to 2660.

High-technology stocks, however, closed almost unchanged, with demand coming mainly from investment trusts and non-residents. Big institutions stayed sidelined, dealers said. Hitachi, with 17.44m shares changing hands, ended steady at 21,110. Matsushita Electric Industrial increased 220 to 22,020, while Sony Corp weakened 240 to 23,740.

Financials were mixed: Sumitomo Bank dropped 210 to 24,700, while Mitsubishi Bank climbed 2150 to 24,100.

Bonds tumbled on investor concern over Tuesday's announcement of the rapid growth in money supply for May.

The yield on the 5.1 per cent 10-year government bond maturing in June 1990 rose from the previous day's 3.035 per cent finish to 3.200 per cent at the start of Tokyo trading, after hitting 3.171 per cent in New York overnight.

It closed at 3.200 per cent after touching 3.245 per cent at one stage.

HONG KONG

AFTER A BOUT of profit-taking in mid-session, Hong Kong share prices picked up again sharply to end the day at a third consecutive record high. The Hang Seng index rose 7.74 on the day to 3,178.82 after a 35-point fall and the Hong Kong index added 5.22 to 2,932.01.

Foreign buyers were present in an active session which saw shares worth HK\$1.86bn exchanged compared to Tuesday's HK\$1.56bn. The late recovery was helped along by a 12-point rise in the June Hang Seng index futures contract to 3,178.

Properties again led the market higher, with Cheung Kong up 20 cents to HK\$13.50, New World Developments 50 cents ahead at HK\$12.80 and Hang Lung gaining 30 cents to HK\$15.10.

Leading active was Hopewell, which placed 50m shares at HK\$3.50 each and lost 7 1/2 cents to HK\$3.71.

Utilities were mixed, with Hongkong Electric losing 15 cents to HK\$9.50 but China Gas up 40 cents at HK\$17.30.

SINGAPORE

A BROAD advance in Singapore took the Straits Times index 13.05 higher to 1,236.80 on sustained institutional demand. Private investors tended to focus on second-liners while the institutions sought leading blue chips in moderate trading.

Singapore Airlines added 30 cents to S\$13.50, with foreign investors building up their holdings in preparation for the company's lifting of the limit on overseas ownership from 20 per cent to 25 per cent in August.

National Iron put on 15 cents to S\$6.30, Fraser and Neave 10 cents to S\$10.60.

Among the lower-priced issues, Lum Chang Holdings gained 19 cents to S\$2.09 on 2.5m shares after a two-day suspension as the company announced an unsecured loan stock issue.

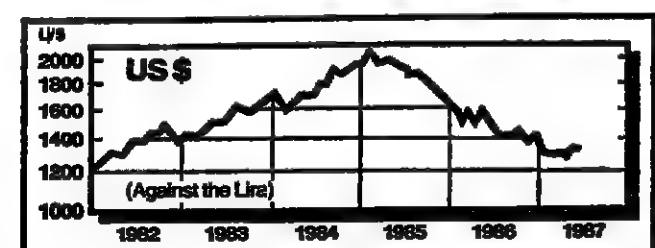
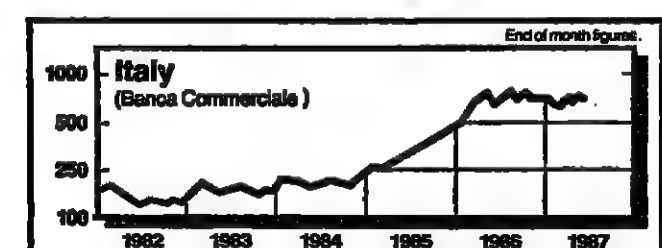
AUSTRALIA

FALLING precious metal prices pushed Sydney lower for the third day in a row, with the All Ordinaries index losing 5.2 to 1,802.8 and the gold index dropping 48 to 2,977.

In the industrial sector, Adelaide Steamship fell 40 cents to A\$6.80 on news that Bell Resources intends to take legal action against it over a transaction involving BHP shares. Bell lost 10 cents to A\$4.30.

Pioneer Sugar Mills edged up 1 cent to A\$2.55 after Industrial Equity bought a 10 per cent stake at A\$2.54 compared with the CSR offer of A\$2.50. Industrial Equity fell 6 cents to A\$4.80 and CSR put on 7 cents to A\$4.07.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK June 17 Prev Year ago

DJ Industrials 2,407.35 2,393.22 1,805.78

DJ Transport 1,022.67 1,016.71 781.13

DJ Utilities 232.07 232.50 188.52

S&P Comp. 304.81 303.27 244.35

LONDON FT

Ord 1,801.7 1,794.5 1,340.1

SE 100 2,280.4 2,269.0 1,505.30

A All-shares 1,158.35 1,150.71 787.50

A 500 1,288.11 1,278.57 881.03

Gold mines 380.2 388.7 220.9

A Long gilt 8.84 8.85 9.38

World Act. Ind. 134.47 134.95 91.31

TOKYO

Nikkei 25,929.42 25,788.58 17,075.9

Tokyo SE 2,241.89 2,231.13 1,322.10

AUSTRALIA

All Ord. 1,802.8 1,808.0 1,197.1

Metals & Mins. 1,095.3 1,099.5 820.0

AUSTRIA

Credit Aktien 183.29 182.93 237.68

BERLIN SE

4,671.80 4,668.50 3,522.05

CANADA

Toronto

WEST GERMANY

FAZ-Aktien closed 588.68 683.74

Commerzbank closed 1,805.60 2,005.6

HONG KONG

Hang Seng 3,178.82 3,170.88 1,789.34

ITALY

Borsa Com. 715.01 719.03 717.00

NETHERLANDS

ANP CBS 298.20 295.00 291.8

Gen 292.80 248.20 265.0

NORWAY

Oleo SE 434.29 434.61 325.61

SINGAPORE

Straits Times 1,236.80 1,222.50 719.83

SOUTH AFRICA

Gold 2,079.0 1,204.7

Industrials 1,189.0 1,118.9

SPAIN

Madrid SE 227.89 228.57 175.85

SWEDEN

J & P n/a 2,695.40 2,451.76

SWITZERLAND

Swiss Bank Ind. 600.10 592.90 660.7

COMMODITIES (London)

June 17 Prev

CURRENCIES (London)

US DOLLAR

June 17 Previous June 17 Previous

\$ 1.2250 1.2250 1.2350

Yen 144.85 144.80 236.25

FF 6.0950 6.0975 9.9500

SFR 1.5180 1.5225 2.4800

P 2.0550 2.0550 3.3875

Lira 1.219 1.222 2.1545

BFR 37.85 37.80 51.85

CS 1.5405 1.3410 2.1955

INTEREST RATES

SECTION III

FINANCIAL TIMES
SURVEY

香港

Hong Kong remains for many a thriving proof of how Adam Smith's ideal of unfettered free enterprise can work. The reality is more complex, however. As David

Dodwell reports, the authorities have come under increasing pressure to intervene, as monitor and regulator, in areas as diverse as the environment and banking, and to provide support for industry in the world trade arena.

The myth is exploded

"THE IDEA that we are a free-wheeling laissez-faire society—in terms of social policies—total baloney," says David Ford, head of Hong Kong's civil service.

The news may come as something of a shock to those who still regard Hong Kong as the nearest one can get, in practical terms, to the Utopia that the likes of Adam Smith or Milton Friedman hold so dear.

It also glosses over the fact that, despite increasingly serious political uncertainties, the territory continues to encourage an entrepreneurial environment that has few parallels worldwide, and has a Government firmly committed to the principles of non-intervention, balanced budgets and low taxation.

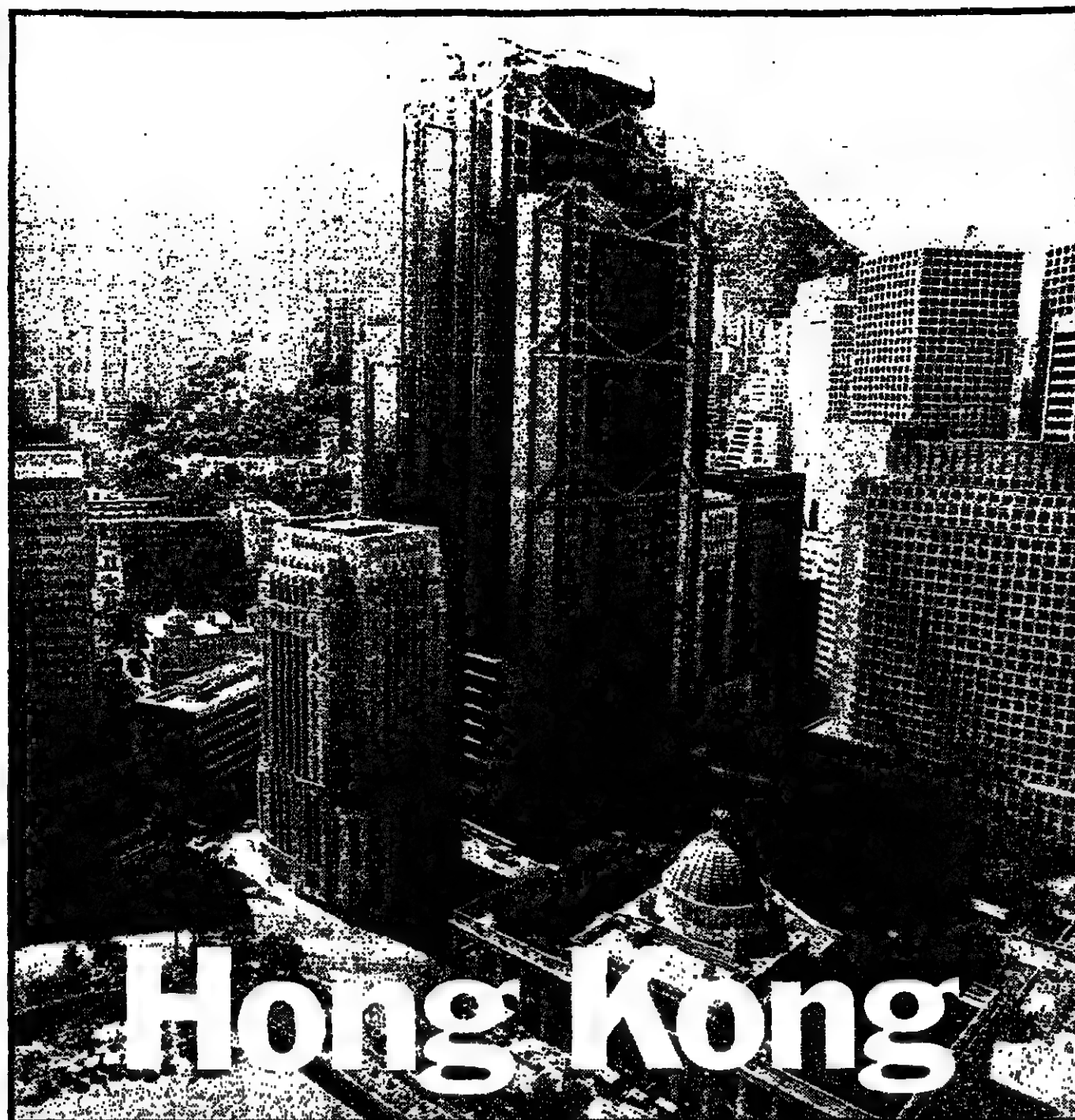
Few other governments could point to a HK\$25bn airport plan being proposed as a private sector venture, or a French-led consortium proposing to build a major road tunnel for it, or a couple of cross-harbour tunnels that have been built, or are

being built, at no expense to the taxpayer.

Nor could they boast a major underground system, and an overground railway, that are run on a self-financing basis. Examples like this still make Hong Kong an extraordinary model of how a government can keep its finger out of people's pies, keep taxes low, and still provide services that match most worldwide.

But David Ford's comment underscores the fact that as Hong Kong has become a more sophisticated society, with greater affluence and better levels of education, so the Government has been pressed to make compromises that have put a considerable distance between itself and the ideal government that Adam Smith would have wished on it.

"It's quite misleading to say that we have a laissez-faire attitude," says Anson Chan, Hong Kong's recently appointed Economic Secretary. "It's not a total 'hands-off' government. But



Hong Kong Island's Central District: an ever-changing skyline.

as we come under greater pressure to be involved, so the bottom line is that we have to earn enough to support our involvement."

Few outside the territory realise, for example, that Hong Kong has a larger proportion of its population in public housing than almost any country worldwide—about 48 per cent.

There is a commitment to make the housing authority self-financing by 1994, but this objective is a long way off yet.

Similarly, while outside observers praise the vigour of Hong Kong's manufacturing sector, with its 40,000-odd private-owned factories, many of the territory's largest and most prosperous companies have become strong not because of their commitment to free enterprise, but because of profits made possible through government-guaranteed monopolies—called schemes of control.

The terms under which schemes have been agreed have ensured that utilities have provided services that compare favourably internationally, and at comparatively low cost—a claim that probably could not be made in most cases of simple

privatisation. Sir Sze-Yuen Chung, one of the territory's most respected political figures, recently noted "Hong Kong is a free enterprise economy, but that is only half of the story."

As part of the other half of the story, the Government has in the past three years tightened banking regulation, and is in the course of enforcing internationally acceptable standards of regulation on the stock market and securities industry.

Recognition that pollution is becoming an increasingly serious threat to Hong Kong's fine-

ly balance environment has led to increasing intervention in this area. The Government's Environmental Protection Department, which in 1977 amounted to one man, today has more than 500 staff, and will have expanded beyond 800 by next year.

The pressures for intervention are partly political—linked with demands for a more democratic style of government, and what many conservative figures see as growing populist pressures on the Administration. Recent demands for a Central Provident Fund, or for government funding for a fourth academic

year to be added to degree courses at the Hong Kong University, offer good cases in point.

Others see Peking's resumption of power in 1997 as a good reason for more intervention today. Somewhat cynically—and perhaps naively—they see it as inevitable that Peking will govern Hong Kong with a more direct hand, and reckon that it is no bad thing for today's Administration to become more involved so that precedents are set which the Chinese will find it hard to break.

There are also economic factors pushing in the direction of more involvement—to do with fierce international competition for export opportunities, and efforts to cement Hong Kong's claim to be one of the world's leading financial centres.

As Anson Chan observes: "As the community prospers, so there is a greater demand for services, and a greater demand for the government to be involved in daily life."

There are few who dispute Hong Kong's increasing prosperity. Exports continue to grow strongly—by 16 per cent last year, and about the same rate so far this year. The economy grew in real terms last year by 8.7 per cent, while inflation remained at a modest 3.2 per cent, and unemployment was a negligible 2.1 per cent.

"Wage levels have been rising by about 15 per cent a year for the past 25 years," says Sir S. Y. Chung. "They have risen not through wage bargaining, but just because of supply and demand."

This strong economic performance is due at least in part to the legendary flexibility of Hong Kong's business community, and the fact that they operate in an almost entirely free market context. Manufacturers buy products wherever they can get them most cheaply—even at the risk of angering US competitors, as in the case of microchips—and are undaunted by import duties, complex regulations, or other restrictions.

But even here, in the inner sanctum of Hong Kong's free market heart, there is mounting pressure for government aid or protection. Electronics manufacturers see competitors in Taiwan and South Korea making strides into new areas of technology with financial help from their governments, and with substantial government support for their research and development effort, and they

clamour for similar assistance. The Government at present refuses to offer more than infrastructure support, and advice through the productivity council, but it may in due course be pressed to relent.

The local construction industry, shell-shocked by the success of Japanese and Korean competitors in winning local contracts, has pressed for protection.

The massive textile sector is almost alone in seeking no direct aid from the Government—perhaps, in part, because existing quota entitlements insulate it against the most alarming implications of the US textile lobby's demands for protection.

Even here, however, government support has been sought in rebutting US industry pressures. Lobbyists have been employed on Capitol Hill, not just to argue the interests of Hong Kong's textile exporters, but to exploit Hong Kong's free market reputation to win "special case" treatment as the US administration threatens trade sanctions across the Pacific.

It is a measure of the Government's success here that the US appears to have dropped demands for it to abandon the only indisputable economic prop that it provides to local exporters—manipulation of the local currency.

The US dollar-HK dollar "link rate," held in place since autumn 1983, has meant that as the US unit has weakened, so too has the HK dollar, maintaining Hong Kong's exporting advantages in the US, and allowing a steady devaluation elsewhere.

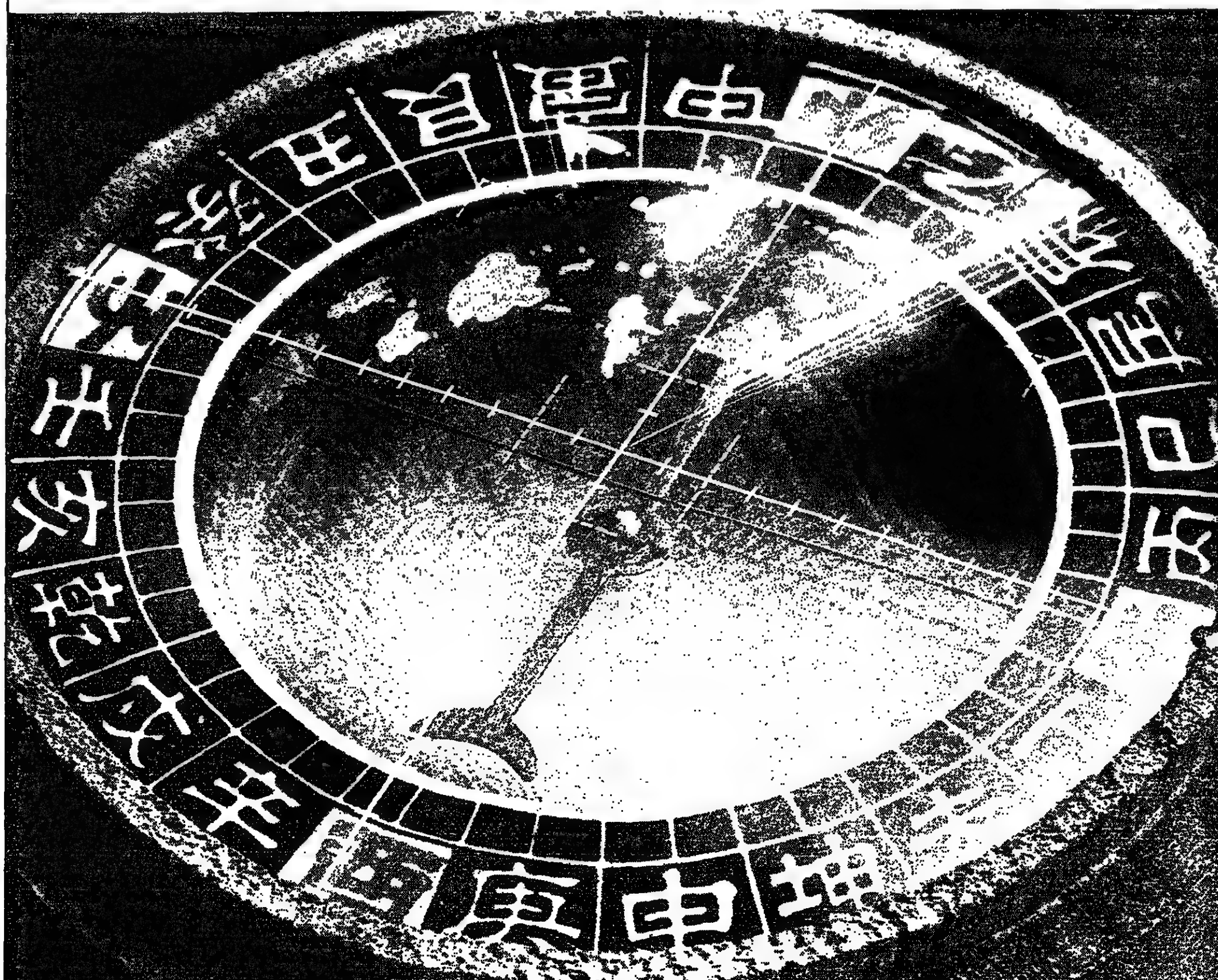
The territory's trade boom, with powerful export gains in Europe and even in Japan, owes a great deal to this devaluation, and while competitors in Korea and Taiwan have had to bow to pressure to revalue their currencies, Hong Kong's free trade ethos appears to have won it a valuable exemption.

Sir S. Y. Chung, well aware of the virtues of the territory's free trade ethos, is nevertheless clear that the day has come when the Government "must also be fair"—which means that Adam Smith, unalloyed, must be part of the past. "We have grown in my lifetime from a relatively primitive, uncaring, cheap life society, into a much more sophisticated, health conscious, caring community," says Sir S. Y. Chung. He would probably add that if this sits uncomfortably with Adam Smith then that is Mr Smith's problem, not Hong Kong's.

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EXCEED US\$91 BILLION.

HONG KONG 2

Profile: Piers Jacobs, Financial Secretary

Cautious hand on the tiller

ONE OF the curious things about an economic policy of non-intervention is that once embraced as a philosophy it removes from a government the onus of producing the new ideas and directions that are the hallmark of politics in the industrial democracies of the West. Since Hong Kong has long had an established policy of *laissez-faire*, it might therefore be wrong to assume that its leading officials must be brimful of exciting innovation.

Certainly this is a notion that appears to hold good of Mr Piers Jacobs, who has now held the top economic position of Financial Secretary for almost exactly a year. There could scarcely be any greater contrast with Sir John Bremridge, his predecessor. Whereas Sir John was a rumpled, abrasive businessman who enjoyed taking decisions, Mr Jacobs, 54, is a dapper, laid-back civil servant who thrives on consensus.

Mr Jacobs is in many ways a very lucky man, because he has inherited the position at a time of remarkable strength in the Hong Kong economy. The buoyancy of fiscal revenues prompted him to pose the choice in his budget this year between an increase in government spending, lower taxes or a further accumulation of fiscal reserves.

Such is his desire to be non-controversial that he opted in the same speech for "a prudent mixture" of all three. Corporate and personal taxes were cut, but only by a paltry half percentage point; capital spending on new projects was increased modestly to HK\$6bn from HK\$4.8bn; and the government is still aiming for a small overall surplus.

Mr Jacobs also used the budget to launch a tentative debate on the merits of increasing indirect taxation to broaden the tax base of a territory where only a fraction of individuals are caught in the income tax net and 43,000 taxpayers provide 52 per cent of all direct taxes.

Yet the idea was thrown out simply as a



Mr Piers Jacobs: thriving on consensus

theme for discussion and critics would say its handling shows how Mr Jacobs lacks the determined vision of some of his predecessors such as Sir Philip Haddon-Cave for whom the theory of positive non-intervention was an almost religious philosophy.

Comment in the local press that the budget was bland and boring left him unperturbed, however — "I sincerely hope that I shall not produce anything exciting. That is not what Hong Kong wants," he says.

There is a case of course for suggesting that

the time for economic experimentation in Hong Kong is over in the long run up to 1997 when the territory will revert to China.

"What we must try and achieve over the next 10 years is stability," Mr Jacobs says. That means that Government has to be both more cautious about any change of course and attentive to opinion both in Hong Kong itself and in the mainland. A feisty, doctrinaire Financial Secretary would be out of place in this environment, and it may well be that what Hong Kong needs is the kind of low-key pragmatic approach epitomised by Mr Jacobs.

Though he says the role of government in Hong Kong may increase as society becomes more complex, he adds that he retains a "firm commitment to providing an environment in which the private sector can flourish."

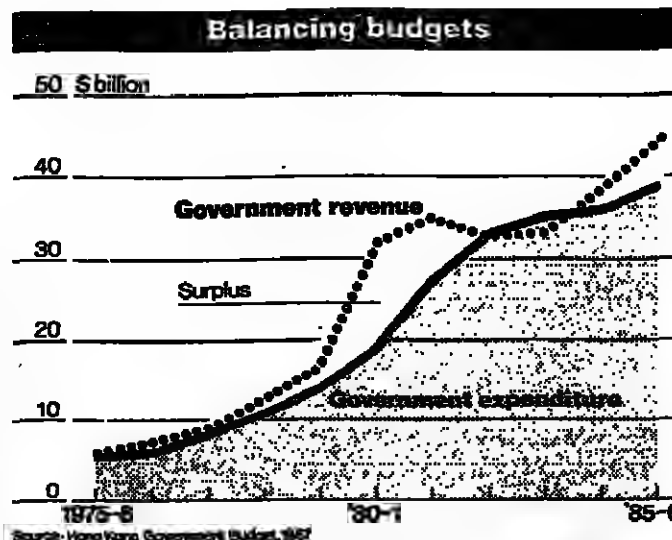
The problem lies in knowing exactly where the lines are now drawn. The debate on economic policy in Hong Kong has shifted recently as the Government has realised that it needs to do more to promote the upgrading of the electronics industry so that it will remain competitive with Taiwan and South Korea.

Mr Jacobs denies that this represents a fundamental change in economic philosophy, but equally he bristles at the suggestion that it is more tinkering about at the margins. The public is left with the impression that there is a tendency for drift in government economic thinking.

That is all right so long as things are going well. A lawyer by training, Mr Jacobs first entered the Hong Kong Government some 24 years ago and rose to his present position via the relatively obscure posts of Registrar-General and Secretary for Economic Services.

Beyond the fact that he clearly is an affable and friendly man, Hong Kong has so far had little chance to discover what really makes him tick. Only time will tell how he reacts in a crisis.

Peter Montagnon



Economic performance

Envy of the world

HONG KONG'S policy of non-intervention in its economy always looks at its most convincing when events are going well. Last year and in the early part of 1987 the territory has presented a scintillating economic record that would make it the envy of most governments in the industrial world.

A strong growth rate, record exports, low inflation, low interest rates, low unemployment and a fiscal surplus—there are all on the score-card for 1986 and the good news has continued into this year with the only blight so far only being a slight but still manageable increase in the inflation rate.

Paradoxically, however, Hong Kong owes this success largely to the one area of policy where government manipulation is blatant and admitted. Its exchange rate has been pegged at HK\$7.80 per unit of US currency ever since 1983 when political uncertainty over the territory's future prompted a panic outflow of currency and the local unit plunged in exchange markets.

In 1985 when the US currency was rising inexorably on world foreign exchange markets this produced a dismal year for Hong Kong, but since the so-called Plaza Agreement on major currency alignments the US dollar has fallen, taking the Hong Kong currency down with it and making exports doubly competitive.

Not only are Hong Kong goods better value in markets with strong currencies like Europe and Japan; their relative edge has improved over those of neighbouring countries like Taiwan and South Korea which have seen their currencies appreciate.

It is small wonder that the government is thus doing all it can to resist pressure from Washington for it to revalue the currency so as to bring about a reduction in its bilateral surplus with the US.

Officials have repeatedly denied that any change in the currency peg is in prospect, stressing that it was introduced for political rather than economic reasons in the first place and warning that to abandon it could again lead to destabilising and volatile currency movements.

Moreover, they argue that the fixed exchange rate is only a partial and theoretical deviation from the basic free-market policies to which Hong Kong has long adhered. The fact that the Hong Kong dollar was allowed to appreciate with the US currency up till Autumn 1986 and that the Government makes no effort to interfere with the implications of the exchange rate for other price levels in the economy show that it cannot easily be accused of deliberate competitive devaluation.

Basically, the link works through an arrangement that backs the issue of local bank notes with US currency at the fixed rate of HK\$7.80. This means that the interbank exchange rate cannot deviate much from the link since dealers would quickly arbitrage away any difference. But at times when there is a tendency for currency to flow out of the territory interest rates will rise sharply. Conversely, they will fall when there is an inflow. As before, Hong Kong is therefore vulnerable to extremes in the business cycle.

At the moment things are going all Hong Kong's way. Though local banks raised their best lending rates by a half percentage point to 6½ per cent in April in line with the trend in the US, they remain well below the 8½ per cent US prime rate indicating that the currency market is having to absorb and reverse a quite sizeable inflow of funds from abroad.

Moreover, Hong Kong was able to escape the inflationary impact of its weak currency last year when consumer prices rose by only 2.6 per cent. This was both because of the general weakness in imported raw material prices and because the devaluation of the Chinese renminbi helped contain price rises on the essential goods—including food and water—that are imported in large quantity from the mainland.

The question is whether and for how long Hong Kong can sustain this favourable performance. In his budget speech earlier this year Mr Piers Jacobs, Hong Kong's new Financial Secretary, forecast a dip in the overall growth rate to 6.2 per cent from 8.7 per cent in 1986 and a rise in the inflation rate to 8 per cent.

There is little doubt, however, that following a 9 per cent real increase in investment spending last year the economy is showing signs of overheating, and some economists feel inflationary pressures are stronger than government forecasts suggest.

It may no longer be possible to contain price rises on imported raw materials. The oil price has recovered strongly this year. That has brought higher fuel costs as well as higher Hong Kong dollar prices for oil

derivatives like plastic of which industry is a large consumer.

Unemployment was meanwhile at a record 2.2 per cent record low last year and businessmen say the labour market has become very tight with wages rising at an annual rate of 10 to 20 per cent. Though manufacturers are able to offset this to a degree by subcontracting assembly work to low cost factories in Southern China, it places continuing pressure on productivity and the risk is that inflation could now rise quite sharply.

Not only has Hong Kong been able to demonstrate a firm commitment to the principles of free trade because of its open markets and lack of tariffs, officials say that the US has also accepted its argument that the exchange rate peg is a necessary political device without which it might be difficult to maintain financial stability.

Even the notion that Hong Kong could simply adjust its peg in a once and for all revaluation cuts little ice in the Government Secretariat. The fear is that once the possibility of adjustment had been admitted it would be impossible to persuade the public that change would not occur again and the value of the peg would have been lost.

The problem is that by most normal standards the Hong Kong dollar is undervalued. Officials tend to defend the present exchange rate level by pointing out that even if the territory does enjoy a substantial surplus on its bilateral trade with the US, its overall trading position is expected to be in deficit by some HK\$8bn this year and last year saw a negligible surplus of just

The question is whether—and for how long—Hong Kong can sustain its favourable economic performance

HK\$75m. But this does not take into account Hong Kong's large invisible earnings from items like tourism and banking.

Hong Kong has never published figures for its current account balance of payments, but the Government's estimate for the invisible trade surplus put it at some HK\$13bn last year and private sector estimates for the current account as a whole are in the order of HK\$15bn or around 5 per cent of gross domestic product. Pressure on the currency might therefore become unbearably strong if the US unit continues to weaken, especially against the Yen.

Moreover, there is still little sign that the devaluation of the US dollar last year has had any meaningful effect in reducing that country's overall trade deficit with the rest of the world. So long as there is no respite from this quarter, political pressure in Washington is likely to focus on countries with bilateral surpluses with the US whatever their trade policies. Hong Kong remains vulnerable to this in a key sector now under the scrutiny of lawmakers in Congress. Legislation to restrict imports of textiles (on which Hong Kong depends for over 40 per cent of its domestic exports to the US), has passed the House of Representatives, albeit by a narrow majority.

President Reagan has promised to veto such a bill if it also passes through the Senate, but it has become a predictable facet of US trade policy that pressure emanating from the Congress is deflected in almost equal measure by the administration to the trading partners of the US abroad. The easy ride that Hong Kong is now enjoying at the hands of the US on trade could come to a rapid end if the political debate on textiles in Washington got out of hand.

All this is of course, well into the realms of speculation. For the time being Hong Kong looks set to enjoy a steady, if not spectacular rate of economic growth and its businessmen express a degree of confidence in the economic future that is in marked contrast with their private long-term political worries for after 1997.

But pondering the possibilities of the future is nonetheless instructive. It suggests two conclusions that are easily overlooked in the present euphoria. The first is that an exchange rate link cannot necessarily remain in place for all time. The second is that, although it has worked well in helping to restore the shattered confidence of 1983, it is a policy which could yet rebound against the Government.

The more the Government protests that the peg is here to stay, the greater would be its loss of credibility if and when it were forced to back-track. And that is no comforting thought for an administration whose main preoccupation now is to provide an aura of calm economic, social and political stability in the long run up to 1997.

Peter Montagnon

Economic performance

	1982	1983	1984	1985	1986
Real growth (%)	3.0	6.5	9.5	0.8	8.7
Inflation (%)	10.5	9.9	8.2	3.2	2.6
Domestic exports (HK\$bn)	83.0	104.4	137.9	129.9	154.1

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HONG KONG 3

Controversy is intensifying over the issue of direct elections

Big test ahead for administration

A DECADE from now, at midnight on June 30, 1997, Britain's lease on Hong Kong will expire, and sovereignty of the Crown Colony, booty of the opium wars of over 140 years ago, will revert to China.

The Governments of Britain and China would have Hong Kong believe that nothing much will change for 50 years beyond the handover, that it will continue to be one of the world's great economic enigmas, a monument to capitalism within a monolithic communist state. It is a comforting picture, but not altogether a convincing one.

With 10 years still to go before the transfer of power, there are already clear signs of China flexing its muscles to steer Hong Kong in the direction it wants, of Britain anxious to back off a diplomatic confrontation, and of the people of Hong Kong becoming increasingly jittery about the maintenance of prosperity and stability.

But over the next decade, Hong Kong and its Government must proceed on the assumption that China will stick to its word and honour the terms set out in the Sino-British joint declaration of December, 1984.

The first major test of the good faith of all three governments is now under way after publication last month of the greenest of Green Papers on political reform, but go before the change of sovereignty. The document painstakingly avoids suggesting any preferred way forward, but invites all elements of Hong Kong society to give their views on what changes they want, if any.

Opinions will be monitored over the next three months and a White Paper will be published early next year, it will be an important test of the colonial administration's mettle.

The Government would be faced with the uncomfortable option of accepting the pressure and going ahead with direct elections in the certain knowledge that this would incur the wrath of Peking, or of backing away from direct elections in order to keep relations with China on a friendly, stable footing. As Sir David Wilson, the recently appointed Governor of Hong Kong, comments wryly: "We are in a no-freedom-from-criticism situation."

While the Government can clearly perceive the tactical



Mr Martin Lee, Legislative Council Member: a rallying point for democratic reforms.

problems of introducing direct elections, it must also maintain at least the appearance of being in charge until 1997 and running Hong Kong in line with the wishes of its inhabitants—many of whom do want an element of western-style democracy.

But two recent events have shown to some that the government is not always willing to take public opinion into account. One was the go-ahead for a joint China-Hong Kong nuclear power station just across the border, and the other the passing by Legco of the Public Order (Amendment) Bill.

This imposes heavy fines and prison sentences for the publication or broadcasting of false news likely to cause alarm or public disorder. It has fuelled fears that civic freedoms could be easily curbed by Peking after 1997.

The Chinese Government, as Deng Xiaoping, the paramount leader, has said bluntly, is anxious to inherit the present political structure of Hong Kong, which is very far from a democratic one. It was tailor made for a colony, with the Governor exercising autocratic powers benevolently.

The system was based on the premise that the British rulers knew what was good for business and order, and what was good for trade was good for the people, who had no say and little interest. As Louis Cha, a

millionaire publisher admits: "We concentrated our energies on making money."

But since the joint Sino-British declaration, there has been an upsurge of interest in politics and some strange informal partnerships have formed. The British and Chinese Governments, and Hong Kong's wealthy businessmen all for varying reasons now appear to favour as little change as possible in the political structure.

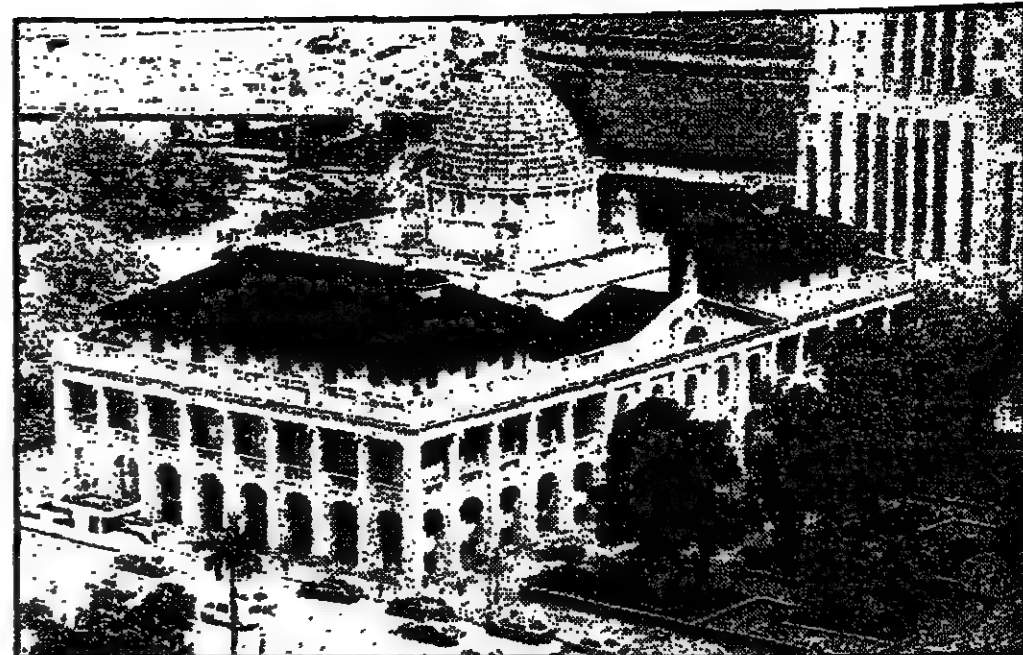
They are also poorly organised compared with the business-led supporters of the status quo, who believe that at best calls for more democracy are premature and at worst confrontational and destabilising.

A danger perceived by the advocates of early direct elections is that if these are hauled there will be an increasing number of professionals seeking to leave Hong Kong, or who will make sure they will have the option of leaving before 1997.

There has already been an erosion of commitment; the moderate forces in favour of democracy are being thinned out," says Joseph Cheng, a political scientist at Hong Kong University.

Martin Lee believes that unless direct elections come in 1988 there would be no time for them to take root. "If the Hong Kong Government can be bullied into not introducing direct elections next year, what is to stop China moving in even more in the years up to 1997?" he asks.

China's paramount concern is that changes introduced by Britain do not dictate the contents of the basic law to come into operation in 1997. A draft of this will be published next year and a final version in 1990. "The real bone of contention is not so much what is done as who does it," says Joseph Cheng. "China does not want to be pre-empted."



Hong Kong's present seat of power: the Legislative Council Chambers, formerly the Supreme Court building. With 10 years still to go before Britain's lease expires on Hong Kong, there are already clear signs that China is flexing its muscles to steer the territory in the direction it wants.

It is largely a matter of face." The most over used word in Hong Kong is convergence, meaning that any plans made for political change by the Hong Kong Government will have to come into line with Peking's basic law by 1997. It would be provocative and on the long term futile for Hong Kong to make proposals that would then be reversed by the basic law. Although the Hong Kong Gov-

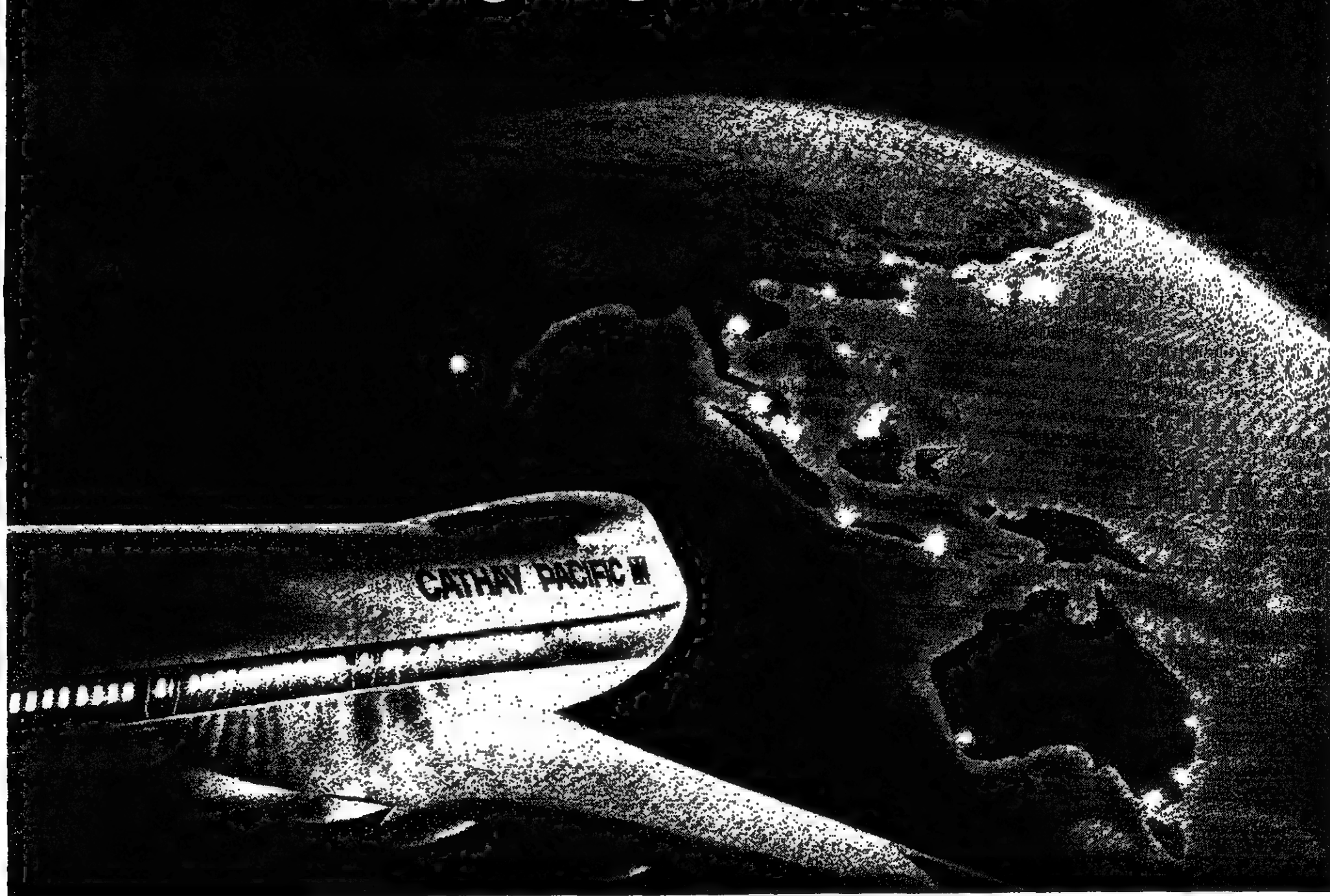
ernment's tactical problems are considerable, there remain powerful reasons for the maintenance of prosperity and stability. In less than a century and a half the Crown Colony has grown from a fishing village to one of the largest trading and financial centres in the world, and its economic miracle may yet prove to be its political salvation.

Hong Kong's economic success and hence its political stability is greater than ever, and without Hong Kong the modernisation of China's economy could arguably grind to a halt. Politically, it remains vital for China to show that the "one nation, two systems" scenario can work if there is ever to be any prospect of tempting Taiwan back into the fold.

Richard Evans

The Swire Group

Hong Kong and beyond.



Profile: Sir Sze-yuen Chung, senior member, Executive Council

Outspoken views on elections startle many

PERHAPS THE most sensitive immediate issue facing the people of Hong Kong is whether direct elections should be introduced in 1988, well before China's new laws for the territory have been drafted. It had been a fairly open question until Deng Xiaoping, the Chinese leader, said in April that universal suffrage and direct elections "would not be beneficial to Hong Kong."

His remarks, seen as a sharp warning to the people of Hong Kong to back away from direct elections, were followed within days by similar comments from Sir Sze-yuen Chung, senior member of Hong Kong's Executive Council. It is a tribute to the influence of Sir SY—as he is usually known—that his impact was as great as or greater than that of the Chinese leader.

Sir SY triggered reactions of anger and frustration and in some cases resigned acceptance of his logic from the supporters of direct elections, and he deeply embarrassed the Hong Kong government.

The official stance remains that the review now under way to determine what sort of political system would be appropriate for Hong Kong in the run-up to the change of sovereignty in 1997, will be genuine and public opinion "will be taken fully into account."

But because of Sir SY's influence as the layman closest to the seat of power, many people assumed there had been collusion and Sir SY was in reality speaking for the Government. The theory was that the Government had no intention of introducing direct elections even if a majority favoured them because of the hostility they would provoke in Beijing.

An immediate statement had to be put out by Sir David Wilson, the recently appointed Governor, insisting that the review would be independent and objective.

Balance upset

What Sir SY did was to upset the delicate balance between the liberally minded young professionals pressing for more democracy, and Hong Kong's more conservative elements including leading businessmen, who want to maintain stability at all costs. This means not upsetting Beijing, but waiting for the new laws to be formulated.



Man of influence: Sir SY, as he is known, emphasises that Hong Kong is not an independent state and the will of the people alone should not decide the issue of increased democracy.

lated in 1990 before proposing substantial political changes.

Sir SY, a chartered engineer by training, chairman of Sonaca Industries, and leading advocate of Hong Kong's proposed science and technology university, insists that his remarks were his own personal views. They in no way reflected the views of the government or of the Executive Council, Hong Kong's policy-making body.

His theme was that Hong Kong was not an independent state and the will of the people of Hong Kong alone should not decide the issue of increased democracy. "Do not forget the views of Beijing," was the message, and to go against them would be too big a risk.

The remarks demoralised the advocates of direct elections and there is little doubt they persuaded many people to reconsider their views.

But Sir SY is unrepentant. "I started a lot of people who were trimming... but the timing was right because it was just before the match starts. It is up to them if they want to take the gamble. I just tell them what the odds are."

Sir SY, holder of the Order of Sacred Treasure (Third Class) from Japan, lists as his clubs Kowloon Cricket Club, the Royal Hong Kong Jockey Club, and Les Ambassadeurs Club, London.

Richard Evans

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HONG KONG 4

Profile: Sir David Wilson, Hong Kong's Governor.

Mountains to climb

"ANYONE WHO can climb Mount Kongur is likely to be man enough for Hong Kong," said a respected Chinese journalist on news that Sir David Wilson had been appointed Governor of Hong Kong.

After what Sir David describes as "my long seven weeks of experience here" as Hong Kong's 27th Governor, he probably feels that Mount Kongur, the Himalayan peak that he climbed in 1981 as a member of an expedition led by Chris Bonington, was a snip.

He arrived to find the community in a state of confusion, to the point of paranoia over recent political developments in China, in particular the ongoing campaign against bourgeois liberalism. Pressure groups and political activists were bruising for battle over the pace and direction of political change.

A green paper on political reform was in final preparation that laid the ground for fierce

debate over the summer ahead. This debate promises a higher than average possibility of strong differences of opinion with Peking on what reforms are acceptable.

From his office in government house, which was made grand by Japan's occupation forces during the Second World War and which today stares down over the Hongkong Bank's new headquarters, one of the world's most expensive and evocative monuments to modernity, Sir David is already aware of the trip wires that surround the Green Paper debate.

Musical chairs

"We are in a no-freedom-from-criticism situation, and a no-win situation," he quips in flippancy, but his unflustered freshness about the political minefield that lies ahead.

Critics would have been easier to cope with if he had not arrived to find the colonial

administration in a state of drift — some would even say disarray — reeling from attacks over mismanaged press and film censorship reforms, and preoccupied with one of those breathtaking bouts of musical chairs that occasionally sweeps over a bureaucracy leaving almost every senior official simultaneously reading him or herself into a new and unfamiliar portfolio.

Sir David does not make light of the disruption among the higher ranks of the civil service that was apparent on his arrival. "The sudden death in Peking of my predecessor, Sir Edward Youde, was a major blow as well as a sad occasion. Everyone had expected him to be in office for a further two years."

"There had to be a very fast reshuffle, and I was part of that reshuffle. It should not be surprising that the Government machine has taken some time to settle down again," he added, his Scots accent origins devastated by study at Oxford University, and a lifetime in diplomatic service.

Very few could be better equipped to become Hong Kong's Governor than Sir David. He has spent the greater part of 30 years studying about Asia, working in the region, and being involved in British Government policy there. From a period of Chinese language study at Hong Kong University from 1960, he was back in 1977 as political advisor to Sir Murray Maclehoze, the then-governor.

In 1984, he was closely involved with negotiating and drafting the Sino-British Joint Declaration on Hong Kong's post-1997 future, and later that year was appointed to head the Joint Liaison Group, which has the task of ensuring a smooth transition of power between now and then.

But what ought to be unparalleled experience of Hong Kong and China has been turned by some into the basis for criticism. Some complain that Sir David has until now always been preoccupied with Britain's interests in China, and as governor will be more "Britain's man" than Hong Kong's.

While Sir David acknowledges this prejudice, he wastes no time in dismissing it: "The myth may be that governors come here as London's men, but the reality is that they very

quickly become committed to and synonymous with Hong Kong's interests."

"Sitting in London, when Foreign Office staff read these reports that a governor is a puppet from Whitehall, it is only too clear that the speculation is ridiculous."

However, he sees no short cut to eliminating this prejudice: "I can't rub out people's preconceived ideas overnight. All I can do is behave naturally, do the job as best I can, and hope that people then realise the mythology is incorrect."

Questions over Sir David's commitment to Hong Kong have also been raised because of his comparative youth. At 52, some said that he is likely to have an eye on a job beyond that of Governor, and as such is unlikely to want to cross swords with Whitehall if it puts in jeopardy his future prospects.

Sir David's response is unequivocal: "There is no bigger or better job given to anyone in the diplomatic service than that of Governor of Hong Kong. As far as I'm concerned, being Governor marks the apex of my career, and I don't expect to do anything else that will be more important. I am totally committed to being a good governor."

He is unperturbed by talk of emigration, capital flight, and

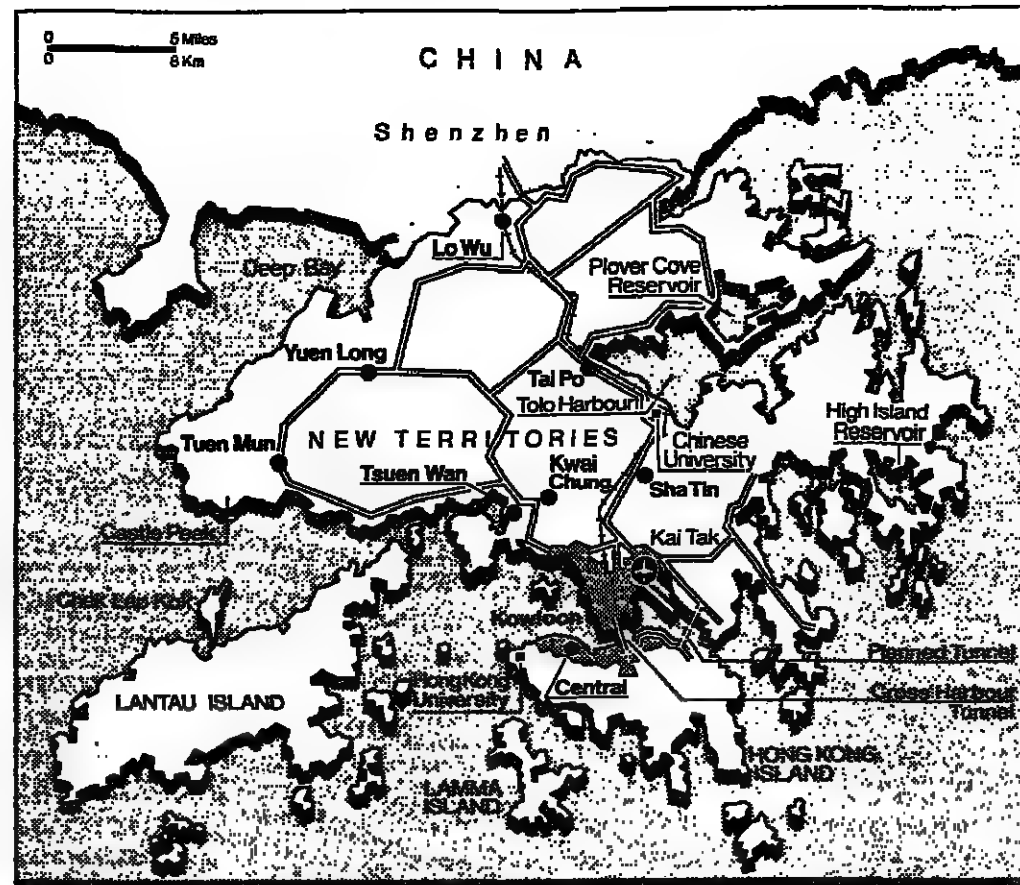
collapsing confidence in the territory. "People would not be human if they didn't worry about the future. But if you look back over the past 30 years, one of the remarkable things is how a sense of identity has grown up. In the 1950s, Hong Kong was almost like a transit lounge."

"People always have been moving on, and this will continue. But many people have now been born here, and know they can be economically successful here. They will continue to be committed as long as the economy remains dynamic. Perhaps we are very lucky to find people coming back."

With a tenuous but tantalising mental leap, he draws parallels with his own Scottish countrymen: "Like Hong Kong people, we Scots are constantly emigrating, and we now have Scots all over the world. This creates a general Scots approach to the world economy," he adds mischievously.

He has yet to elaborate what this Scots approach is, but the implication is clearly that Hong Kong people have a similar distinctive approach, and that this is no bad thing. If it makes Sir David feel he is among kindred spirits, then that is probably no bad thing either.

David Dodwell



Looking towards 1997

Grass roots views

LEE WING TAT is a grass roots representative based on the high rise Shek Lei estate north of Kowloon in the New Territories. He is a member of the local district board, an elected regional councillor and a member of the basic law consultative committee whose views are sought on the new laws being drafted by China for the change of sovereignty in 1997.

Mr Lee believes that by 1997 half the representatives on Hong Kong's legislative council should be directly elected, a quarter should come from the functional constituencies representing professional bodies and businessmen, and a quarter from an electoral college to ensure an additional spread of interests and experience. But he is not optimistic. He believes it essential that Hong Kong should become highly

autonomous by the changeover in order to retain as much political and economic freedom as possible, and the best way to ensure this would be to increase steadily the proportion of directly elected representatives, starting in 1988.

In order to complete the structure by 1994, the last elections ahead of the sovereignty change, he favours 25 per cent directly elected members next year, rising to a third in 1991 and a half in 1994.

But because of the pressures from China, which is strongly opposed to any significant change in political structure before details of the new basic laws are known in 1990, he believes the British and Hong Kong governments will fail to support the early introduction of direct elections.

"The Chinese are very suspicious that the British and Hong Kong governments will put pressure on the people to have direct elections in 1988, and I do not think the government will have the guts to seek the real views of everyone... they dare not offend the Chinese."

Although Mr Lee finds that the big majority of his constituents at Kwai Chung, site of Hong Kong's container terminal, have not yet taken much interest in the contents of the government's green paper on political change, he is convinced there is considerable support for direct elections.

"Most of the people of Hong Kong support a significant proportion of direct elections by 1997, yet the government refuses to see this," he says.

He sees as a big danger the increasingly aggressive attempts by China and its supporters to influence public opinion.

"We all know that the Chinese are intervening informally and that the left wing is taking up their case," he says.

"People know that the Chinese are on the way in. They feel the boss isn't the British or Hong Kong governments any more, but the Chinese. So there is a growing tendency to back China on the grounds that this will help them eventually... to oppose too openly could be provocative."

"They see a power change coming so they ally with the Chinese. The left learns very fast. They are smart."

Similarly, he finds that the government appointed district officers are losing their influence over local leaders as Chinese influence increases.

"Young professionals are all trying to get some sort of guaranteed exit from Hong Kong through a second passport, and thousands more would leave," he says.

Richard Evans



The impressive new Hongkong Bank headquarters building—a multi-million dollar monument to confidence in the Territory's future. The sentiment would be shared by the equally new, and politically conservative "Group of 71"—see article on page 10.



Sir David Wilson, Hong Kong's 27th Governor. He has spent 30 years studying about Asia, working in the region and being involved in UK policy there.

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Among the young there is tremendous keenness to take up all the educational opportunities

Running to stand still

IN ALL the talk about Hong Kong's future, interest is inevitably concentrated on economic and political prospects, but the effectiveness of its education system could prove to be of even greater significance.

For Hong Kong has no natural resources of its own; whatever the future holds politically, it will depend on the application and skills of its workforce to find a niche in world markets between the low cost developing nations and the sophisticated economic superpowers.

"The only way we can maintain prosperity is to make our manpower more valuable than that we can keep our competitive cutting edge," says Sir S. V. Chung, leading proponent of a third university for Hong Kong, which will concentrate on science and technology.

There is a tremendous craving for self-betterment among the young, with a high take-up of the many night school classes provided in a range of subjects from law and banking to foreign languages and electronics.

Pressures on the system are intense at the tertiary level, with ten times the number of students applying for places at university, polytechnics and technical colleges than there are places.

Expansion has been considerable, with the government doubling its expenditure on education in the last few years, but still the demand surges. More than 30,000 Hong Kong students are now being educated overseas, primarily in Canada, Australia, the US and the UK, a total not far short of those educated at home.

The number of university places is currently around 33,600 and it is planned to expand to 50,000 by 1997. "We have to run to stand still," says Mr Ron Bridge, Secretary for Education.

The competitive element is stressed by Dr Wang Gungwu, recently-appointed vice-chancellor of Hong Kong University. "I know of nowhere else in the world, with the possible exceptions of Japan and Taiwan, where you get this degree of competition," he says.

The education system is dominated by the Government, either through direct control of government schools or

through heavy subsidies to other secondary schools. Education is the biggest item in the annual budget and took 18 per cent of the total last year when HK\$128.4m was spent on capital projects and HK\$1bn on operational costs.

There is a private sector at the secondary level, catering mainly for the children of foreigners and ex-patriots, but it is small in the overall pattern.

The Government also runs the territory's two universities, one English based on Hong Kong Island and the Chinese University of Hong Kong in the New Territories, two polytechnics and eight technical institutes.

In recent years it has also set up an elaborate system of vocational training to ensure sufficient trained manpower for the industries that are constantly having to go upmarket and become more technically sophisticated to keep ahead of the competition from Taiwan and South Korea.

Hong Kong is a young community and about 27 per cent of its population is at school or kindergarten. There are nine years of free and compulsory education to the age of 15, and subsidised schooling is provided in a continuing programme for 85 per cent of 16 year olds.

With both Cantonese and English in common use in Hong Kong, schools are categorised as Chinese or Anglo Chinese according to the language used. Chinese is the language of instruction in most primary schools, but English tends to take over at the secondary level.

The dual system, complicated by the almost exclusive use of Cantonese in most homes, has led to criticism by some university authorities that the level of proficiency in English is insufficient for many university courses.

Dr Wang and the authorities at HKU, the English-based university, have decided to extend the current three year undergraduate courses, based on the UK system, to four years in order to provide a foundation year. The intention is to make students much more proficient in English before they start their university course proper.

But it is uncertain that the Government will be prepared to give additional funding, as the costs of an extra year at university are six or seven times higher than at school. The university could therefore be faced with the option of climbing down or continuing with its proposal and diverting funds from other areas.

According to Sir S. V. Chung, the Government is not against a four-year course in principle, but believes that a higher priority should be the expansion of places in tertiary education, including the early launch of the Hong Kong University of Science and Technology, which will also specialise in management studies. The first students are expected to enroll in 1991-92 and there should be 7,000 full time places by the mid-1990s.

The need for more highly trained personnel led to the setting up in 1982 of the Vocational Training Council, which is now responsible for technical education and for all training except in the clothing and construction industries, which run their own schemes based on company levies.

The remaining 19 training boards, covering all Hong

Kong's major economic activities including banking, insurance, civil engineering, electronics, shipbuilding, plastics and tourism, are financed by the government. Two large training centre complexes have been built to cater for about 10,000 trainees.

In addition, the eight technical institutes now have 66,000 students (a fulltime equivalent of 25,000) compared with 30,000 in 1982.

"The growth of Hong Kong industry and commerce has not been stunted by a great lack of trained labour," says Mr Horace Knight, executive director of the Vocational Training Council.

Hong Kong's educational system, in contrast to its reputation for private enterprise and laissez-faire economics, depends greatly on state support. It has been well served at the lower levels, but there are worries at the tertiary level.

Not only is there a question mark over the calibre of students who have difficulty with English, but research facilities have been starved of funds.

Richard Evans Hong Kong is a young community: 27 per cent of the population is at school



Profile: Dr Wang Gungwu

The hard fight for quality

DR WANG GUNGWU, who was appointed vice-chancellor of Hong Kong University (HKU) just 10 months ago, has been plunged immediately into the most contentious issue facing education leaders—language.

There are often contradictory pressures in Hong Kong between fluency in English, which is regarded as essential if Hong Kong is to maintain its astonishing success as a commercial centre, and the desire to teach in Cantonese, the language of the overwhelming majority of the population.

In addition, there is recognition that fluency in Mandarin will be increasingly necessary to aid communication with the mainland and its leaders as 1997 approaches.

Dr Wang, born in Indonesia and educated in Malaysia and at Nanking University until he was forced to flee from the revolution in 1949, has three primary impressions of education in Hong Kong.

First, the tremendous drive to educate the young, which has led to the emergence of an intensely competitive younger generation. "They cut their teeth on exams," he says.

Second, although it has 75 years of tradition behind it, Dr Wang believes that HKU should be better than it is. This, he feels, is partly because the Government has never encouraged research, arguing it was cheaper to buy new technology on the world market and adapt it to Hong Kong's needs.

Many of the best students go from Hong Kong to the UK, Canada, US and Australia which all have excellent research facilities, and many of them stay.

"The Government's attitude may have been logical but it was short-sighted. In the long run it has weakened the university and meant we have been fighting for quality with our hands tied behind our backs," says Dr Wang.

This view is clearly acknowledged by the Government, at least in part, as some money has been given for the first time for research projects. But strict conditions are attached and the research must produce results within three years and have a practical application. "We are still caught up with a short-term mentality . . . it is all very 'Hong Kong'."

Third, there is the problem of the complex language and cultural background of Hong Kong which has not existed easily with the Oxbridge examination system on which HKU is based.

"It is a very fine system of



Dr Wang Gungwu, Vice-Chancellor of Hong Kong University: language is the most contentious issue

education but it depends on a very fine grasp of English. It worked well here as long as there was a highly selective intake, but this is no longer the case. The demands on the children whose English is not good are great, and there is a very high casualty rate.

Apart from the fall-out rate because of language problems there are additional difficulties. The families of professionals and businessmen, whose children used to form the core of the university intake, are looking more and more outside Hong Kong, partly to get the best education for their children and partly to make sure they get a second passport to give them the option of being able to leave Hong Kong in the future.

There is a further twist of the knife in the number of overseas scholarships—well over 100—on offer to the best of the remaining students. So there is a further syphoning off.

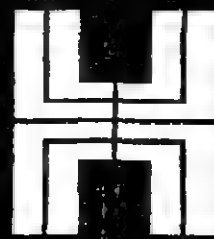
"It is a very slippery slope that we have been on for some years and something must be done about it. I hope we get the support we need," says the vice-chancellor.

Dr Wang, an historian, did his postgraduate studies at the School of African and Oriental Studies at London and then taught at university in Malaysia for 12 years. He was professor of history at the Research School of Pacific Studies at the Australian National University, Canberra, before arriving in Hong Kong.

Richard Evans



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HONG KONG 6

Stronger measures to combat organised crime

The war intensifies

BY INTERNATIONAL standards Hong Kong is a safe place. It has no terrorism and very few muggings or violent demonstrations, but the police do have to cope with a special problem—the triads, or secret societies, who control much of the organised crime.

According to the police there are at least 50 triad groups in Hong Kong, including 10 independent elements within the infamous 14K society. The total triad population is put between 100,000 and 120,000.

Some societies number just a few dozen members and rarely if ever come to the attention of the police, but at the opposite end of the scale are societies that have many thousands of members and feature regularly in crime reports.

The triads have been in existence since long before the British arrived in Hong Kong and in the 1950s and 1970s, when the local police force was riddled with corruption and triad influence, the secret societies did more or less as they wished.

The restructured force then moved hard against the societies in the early 1980s and the triads were briefly regarded as a diminishing problem. More recently, the continuing activities of the triads have been acknowledged publicly and there is a concerted attempt under way to diminish their influence.

The traditional areas of triad criminal activity, vice, drug trafficking, illegal gambling and protection rackets, are still the big money-spinners, and the major problem for the police is the unwillingness of witnesses to come forward to testify.

The gangs have become particularly sophisticated in developing protection rackets against building contractors, and when a contractor refuses to pay up, he finds machinery valued at hundreds of dollars has been destroyed.

The gang then suggests the contractor should employ watchmen to prevent more damage. When the contractor pays up he finds no watchmen are provided, but the damage ceases.

It is only recently that white collar crimes, such as fraud and counterfeiting, had any triad involvement, but there is now evidence that white collar crimes generally, particularly frauds planned by triad members using corruption and fear, are on the increase.

Organised crime syndicates seek to establish monopolies in both legitimate and semi-legitimate businesses, and this has happened recently in areas like painting and decorating contracts on some housing estates, the illegal diversion of water and electricity supplies to force



Hong Kong police: backing for draconian measures.

residents to pay inflated prices, and control of some fish, poultry and vegetable markets, where prices are inflated artificially.

Since publication last year of a wide ranging discussion paper on triads, the government has been implementing some of the options outlined. One of the problems, according to Det Chief Supt Brian Merritt of the organised and serious crimes group, is that triad bosses have become much more sophisticated in their tactics.

Proceeds from drugs, prostitution and gambling are now laundered in legitimate businesses with a high cash turnover like restaurants and clubs. This makes it much harder for the authorities to track down the cash.

The big triad bosses, who run their empires much more loosely than Mafia "godfathers", operate behind a formidable shield of semi-legality, respectability and influence within the community, making them difficult to arraign.

The discussion paper, which provided a fascinating account of the workings of Hong Kong's underworld, proposed numerous options for curbing the influence of the triads, including some contentious ones that would restrict the civil liberties of convicted triad members.

Some of these have had to be shelved because of divided reactions, but in general the public has fully backed proposals to move hard against the triads.

Among the proposals being implemented are much heavier fines and prison sentences for belonging to a triad society, the granting of a partial amnesty to triad members who renounce their membership, protection

guarantees for witnesses willing to give evidence in triad-related trials, and the use of one-way mirrors in identification parades.

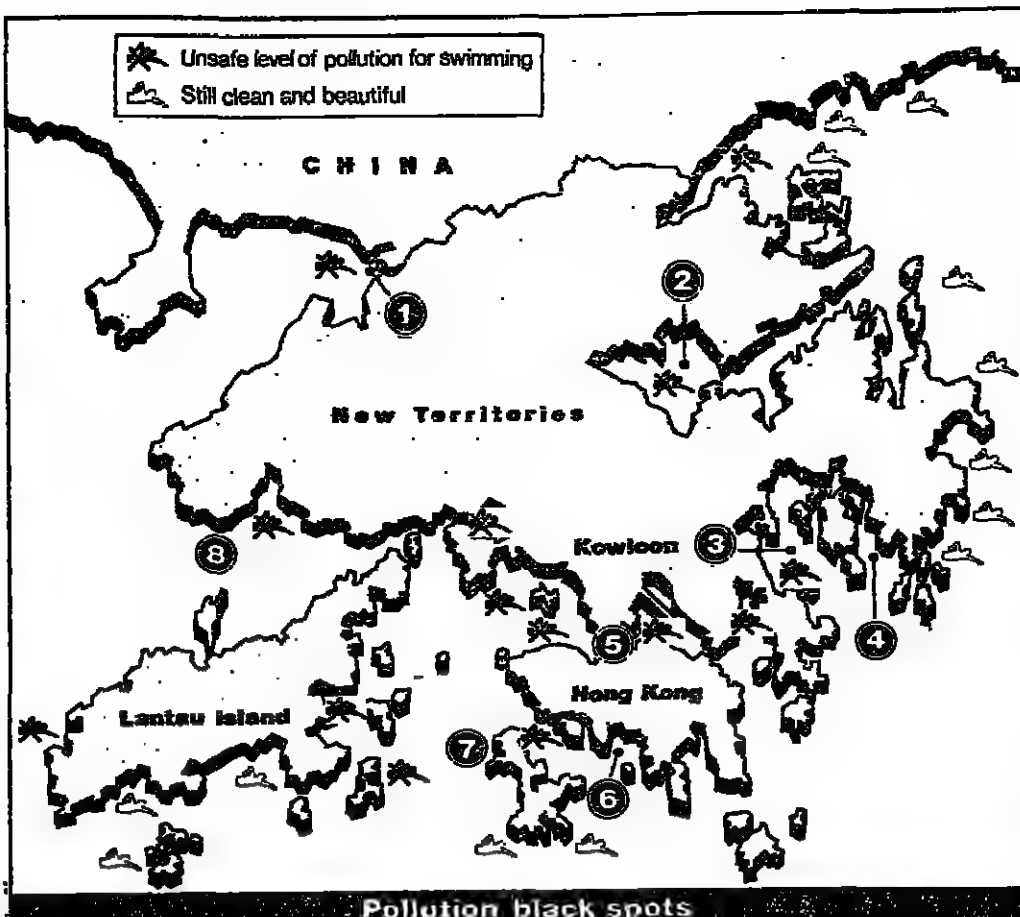
The more controversial proposals, which are still under discussion, would include banning a convicted triad member from any gambling or vice establishment, automatic games centre, pool hall or martial arts centre. There are also plans to ban the use of radio pagers by triad members on the grounds that they have become an essential tool for criminal operations in gadget-mad Hong Kong.

A probability is that some form of Grand Jury system on US lines will be instituted. The advantages are that it operates in secret and would therefore give protection to witnesses, and it would have the power to subpoena witnesses.

There is also every prospect that legislation along the lines of the US Racketeer Influenced Corrupt Organisations (RICO) statute will be introduced. This would allow the forfeiture of assets where derived from the profits of illegal activities, and it would authorise civil sanctions in cases where proof of criminal activity is difficult to get.

In total, it will add up to a formidable array of new weapons to take on the triads. Det Chief Supt Merritt is convinced that public opinion has changed in recent years to give sufficient backing for draconian measures. But there are worries that any laws that diminish freedoms and individual rights prior to 1997 should be studied with special care, as advantage could be taken of them in later years.

Richard Evans



1. Pollution from the Shenzhen River and Yuen Long nullah; mostly pig and poultry wastes.
2. Human sewage, pig and industrial wastes; the situation is made worse by poor currents.
3. Outer waters are threatened by pollution arising from poor sewage treatment, made worse by poor currents.
4. Fairly unpolluted area, but threatened by piecemeal development.
5. Receptacle area, for sewage from 3.7m people and by industrial wastes; saved from worse pollution by very good current flow.
6. Various piecemeal developments around Repulse Bay area threaten recreational facilities and resources.
7. Beach area ruined by effluent from power station.
8. Probable outspill of waste materials from pulverised fly ash.

Pollution reaches alarming levels

Pressure for more action

"FRIENDS WHO leave Hong Kong tell me they can't sleep for a week because it is so quiet elsewhere... it took me a year to get used to the noise here," says Professor John Kleeveens, head of the department of community medicine at Hong Kong University.

Noise is just one of the environmental problems that strikes the visitor, although it is by no means the worst. Because of the upsurge of population in a very confined area and the historic lack of controls, Hong Kong is "on an ecological tight-rope," according to Dr Stuart Reed, director of environmental protection and the man responsible for meeting the challenge of pollution.

There has always been an immense tolerance of pollution in Hong Kong, he says, and until recently there was no great problem. The population hovered around 1m and the fast flowing tides around Hong Kong

Island and Kowloon could cope with the industrial, agricultural and human effluent.

But, with a current population up 20 per cent in a decade and approaching 6m and a flourishing industrial and commercial base, the dangers have recently become alarmingly apparent. The policies of non-intervention by the government of a society that has flourished under a laissez faire economic system has had to be reversed.

Today, tourists plying between Hong Kong Island and Kowloon on the popular Star Ferry find themselves ploughing through a floating refuse tip, many prime beaches have been declared unsafe, and there are "red" chemical tide in the most polluted bay, and clouds of dust rise from scores of construction sites. It is becoming an environmentalist's nightmare.

The most serious pollutants are over 1m tonnes of sewage each day which is pumped into the harbours and seas surrounding Hong Kong, and 2,000 tonnes of pig and poultry manure dumped into its rivers. Air pollution comes from the government's refuse incinerators and from factory chimneys. From the use by industry of cheap, sulphur-rich fuel, and from the very high proportion of diesel vehicles in use—probably the highest in the world.

According to Dr John Hodgins, senior lecturer in botany at Hong Kong University, agricultural wastes, mainly pig manure, generate 85 per cent of the pollution load in streams, with sewage contributing 10 per cent and industrial organic waste the remainder.

"The streams in the New Territories were described in the 1970s as unparalleled in the world in terms of pollution, and there is no evidence that things have improved," he says.

In marine waters, domestic

sewage is responsible for 65 per cent of pollution. Industrial organic wastes for 20 per cent and agricultural wastes only 15 per cent of the load.

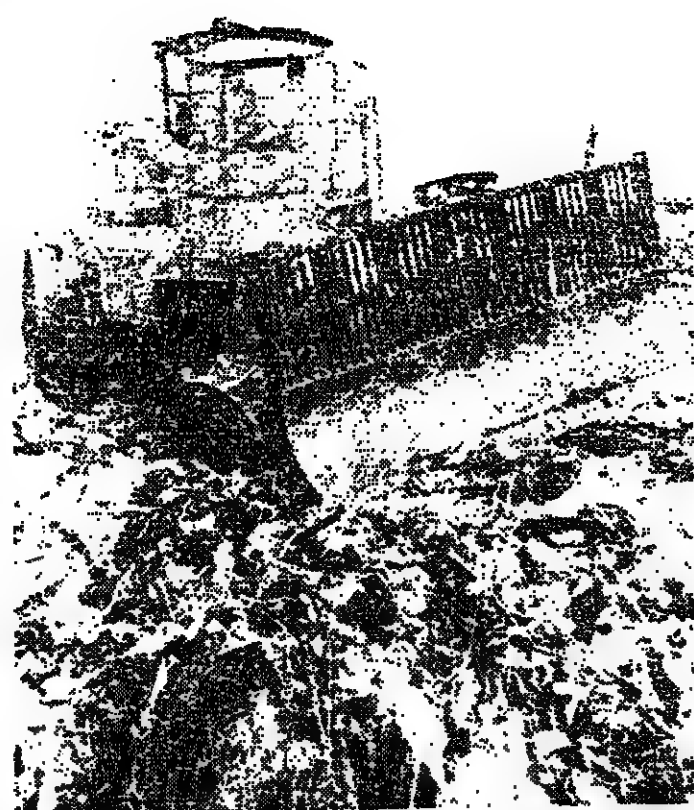
His criticism of the government's philosophy is that it considers the solution to pollution lies in the controlled dumping of wastes rather than dealing with the original sources and causes. He claims that as much as 80 per cent of human waste in Hong Kong undergoes no effective sewage treatment.

Noise pollution is a constant problem, aggravated by the number of construction sites as buildings are replaced by ever taller skyscrapers and tower blocks and as more land is reclaimed from the harbour.

In addition, the design of busy Kai Tak airport, where aircraft fly in low over Kowloon's high density buildings, means maximum noise disturbance. A draft noise control bill was issued in March and this should become law before the end of the year.

Even its critics now accept that the Government has woken up to the problems of pollution but there is a difficult balance to be drawn between the requirements of industry and agriculture and those of the environment.

Dr Reed's Environment Protection Department, for example, has progressed from a single employee when a unit was first set up in 1977, to a current establishment of 507 people. Its role is to monitor pollution levels and to draft legislation, but it is handicapped by having no enforcement role.



Refuse being shunted in Kowloon: an aggressive anti-litter campaign has been a notable success, but pollution of many kinds has put Hong Kong on "an ecological tightrope," says a report.

Laws to deal with most types of pollution are in place but they are mostly enabling legislation with precise details still to be filled in. New controls on agricultural and toxic waste treatment and disposal facilities are due to be introduced this year.

More worryingly, there is little impact on existing factories and other sources of pollution, including those controlled by the government itself. The argument is that to force old plants to tighten up on pollution control would drive too many out of business.

Instead, the thrust of government policy is to insist that new factories and housing developments are built according to strict standards.

Capital investment in public sector pollution control facilities has grown by over 400 per cent in the last decade, although from an admittedly low base. The public works programme for sewage and sewerage treatment over the next five years totals HK\$1.8bn.

So although the environmental scene in Hong Kong is undoubtedly bad because of the lack of facilities devoted to it in the past, there are now some hopeful signs. People's perception of environmental quality is getting much higher—the aggressive anti-litter campaign has been a notable success—and the government is having to meet the pressures with action. It is at last taking the environment and pollution control seriously.

Richard Evans

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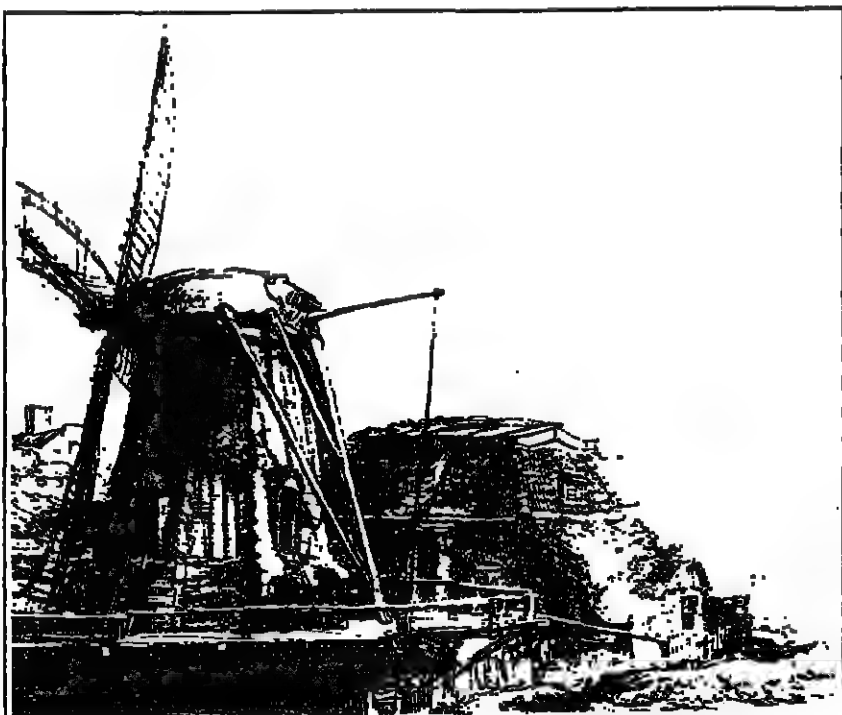
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Housing policy A subtle shift in aims

TO THOSE who see Hong Kong as the epitome of capitalist laissez-faire it may come as a surprise that 45 per cent of its population live in public housing. Only a third of the remainder live in owner-occupied homes.

For the rest, Hong Kong is a landlord's market with rents which range from HK\$55,000 a month for a flat in a desirable area, to HK\$2,000 a month for a tenement in Kowloon.

Hong Kong's public housing policy is decided by a housing authority set by an appointed government. In the first post-war decade, the Government was primarily concerned with containing the successive surges of immigration from China which increased the population from 600,000 in 1945 to 5.6m today. The immediate step was to build cheap blocks barely better than the squatter huts and tenements offered by private landlords, but usually cheaper.

Partly as a result of the riots of mid-1960s and partly because of a major fire that destroyed a large squatter area, the Government became aware of the role of housing in maintaining social stability as a result, despite its non-interventionist philosophy, the Government since the early 1970s has been committed to the provision of "affordable and adequate housing for all."

In 1982-83, the year of slump in local property prices, the Government allocated HK\$ 4.9bn, 13.8 per cent of the total budget, to housing.

The government's long-term housing strategy policy statement, published in April this year, shows that there has been a subtle shift in its aims, dictated largely by economic considerations. The new emphasis is on housing for those most in need, with incentives for those who can afford to buy their own houses. The project spending on housing in 1987-88 will be 11.8 per cent of the budget, a 2 per cent drop since 1983-84.

At present, 55 per cent of the housing authority's annual capital expenditure comes from the Government, but by 1994 the authority is intended to become self-financing. Some of the extra income, according to the Secretary for Housing, John Todd, will come from domestic and

commercial rents, some from a more efficient use of resources.

The housing authority is landlord to 2.7m people. It administers everything from squatter areas to housing built for sale to the public at subsidised prices. Its stock of 116 rental estate varies from substandard and overcrowded blocks to new housing estates incorporating the latest in town planning.

About 45 per cent of its tenants now earn more than the lower income limit imposed upon applicants to the waiting list (HK\$4,800 for a family of three). Few pay more than 8-14 per cent of their family income in rent.

In future, rents will be raised on a means-test basis. Old housing stock is being demolished for redevelopment into modern housing estates or refurbished to provide better accommodation, cheaper maintenance and higher rental income.

Part of the prime urban land obtained from clearances or squatter areas has been released for private development. New estates are being built around commercial centres, with flats let at market rates. The experience of mixing commercial and subsidised accommodation is being further applied in the Home Ownership Scheme (HOS)—Private Sector Participation Scheme (PSPS), introduced in 1978.

Under the Home-Ownership (HOS), the housing authority uses contractors to build flats that are sold at 75 per cent of the current market price, mainly to public tenants, or to private tenants whose family income does not exceed HK\$35,500. The purchasers pay 5-10 per cent of the purchase price, with the rest covered by a bank mortgage from one of fifty finance houses involved in the scheme.

The guaranteed loans are usually repaid within less than the 10-25 year allowed. So far, defaults have been ever rarer than non-payments of rent at present below 1 per cent of the authority's rental income.

The public sector participation scheme contractors submit their own projects and specify the premium they are willing to pay in advance, usually some of several hundred million dollars. The successful bidder is responsible for everything from



Housing developments at Sha Tin.

the initial design to the final product.

In return for the premium and building costs, the company receives payment for all the housing units built and the right to exploit any commercial units on the estate.

The Government subsidy for PSPS units is 30 per cent and there is no shortage of tenders. But even a company such as Shui On, which has built several PSPS projects, has some reservations about the scheme.

The property market slump of the early 1980s has left numerous casualties, while the tight margins imposed by the tender competition mean that commercial contracts after seem more attractive. This is especially so, as exploitation of commercial units in new estates is not without risk, and some recent projects have made a loss.

The work of the Housing Authority has undoubtedly improved social conditions and has contributed to the territory's political stability and low labour costs. Few here question its desire to become self-financing. But there is disagreement over the methods it has chosen.

According to April's housing policy statement, the annual building programme of 30,000 public housing units and 10,000 HOS/PSPS units, which has been sustained since 1980, should clear the housing waiting list by 1997. At present, this is more in temporary housing and squatter areas.

Demand for private housing has been rising steadily, with all HOS/PSPS units heavily oversubscribed (up to 15 applicants per unit). The housing policy statement suggests that unless the public housing programme

is gradually reduced, private rents will be under-utilised after 1997.

The HOS/PSPS programme will play an important part in increasing home ownership among public sector tenants, but it will do little to help those most in need—low income tenants in the private sector.

It seems unlikely, however, that it will help low-income tenants in the private sector. While prices of average renting properties are the same, or lower now than in 1984, private rents have risen by between 6 and 12 per cent, about 30 per cent of income. Since landlords can still legally evict tenants of property they wish to develop, cheaper housing is giving way to more profitable medium price housing and adding to the public housing waiting list.

In 1982 the private sector built a quarter of the smaller letting units, while the public sector built three quarters. This year the number built by both is almost the same. It is proof that a large stock of subsidised public housing has done little to inhibit the private sector.

The statement's strategy envisages a target of 2,700 people per hectare, four times the density of most inner city housing in Europe. Present rules treat families as single indivisible units, not allowing for rising rates of divorce.

At a time when most families still have to wait five to seven years to get housed, it is a pity that the desire to reach 1997 unbundled by debt has meant that the government's only real welfare policy is not allowed to expand.

Jana Howlett

HONG KONG 7

Culture and corporate philanthropy

Home of a vibrant arts scene

FUELED by its thriving economy, Hong Kong has developed into a sophisticated city-state with cultural trappings to match. Whether the Hong Kong Repertory's *Noises Off* in Cantonese, the Ballet Company's *Don Quixote*, or the many orchestras and choirs, the territory is home to a vibrant arts scene embracing both Chinese and Western culture.

The metropolis publicly funds—either wholly or in part—several full-salaried professional companies: the Chinese and Philharmonic orchestras, dance (both traditional and contemporary), repertory theatres and ballet. (Neighbouring Japan, in contrast, maintains few national companies.)

Asia's best international arts festivals are held here. Though the visual arts are less well catered for, still, more than a dozen museums and galleries provide year-round exhibitions. The Council for the Performing Arts supports a diversity of projects.

Most of the provision of the territory's culture is via the Urban Council whose promotion and subsidising of events ranges from Cantonese opera, folk dance and puppet shows to Alvin Ailey and the sculptures of Henry Moore.

The past five years has seen a massive spate of arts building. So many new venues, including the showpiece Academy of the Performing Arts and the new Cultural Complex in Kowloon taking shape on the waterfront opposite the Peninsula and Sheraton hotels, exemplify the public commitment.

Hong Kong University has set up Arts Administration courses. Other go-ahead activities include workshops and masterclasses for young musicians by visiting world-class performers and funding for experimental work at the Hong Kong Fringe Club. Total annual expenditure is estimated at between HK\$250m and HK\$350m.

Any notion of Hong Kong as a cultural desert is now passé. As the director of the Arts Centre, Mr Nicholas James, comments: "For all those Hong Kong youngsters out on the streets, there is so much going on that the only decision is which door to enter."

But such generous provision for the arts is a recent phenomenon, dating from the mid-seventies when Hong Kong's gradually-increasing prosperity produced its own "cultural revolution." The first International Arts Festival, formation of the Hong Kong Philharmonic Orchestra and appointment of the first Commissioner for Recreation and Culture—all are landmark events in the territory's cultural history.

Until recently, contributions from the private sector were considered a welcome bonus. Now, however, in line with the trend in other advanced countries, and driven by a bulging arts bill plus the reality that

with Hong Kong's small population (5.5m), the arts cannot be left to market forces and therefore require substantial subsidy, big business is increasingly being primed to get involved. The talk is of "plurilateral funding."

Hong Kong companies have always done their fair share for charity. Other areas, too, have benefited: education (as typified by businesses' generous response in contributing HK\$80m to the Sir Edward Youde Fund in just a few weeks, after the former Governor's death late last year); and sport (the tobacco companies' joint sponsoring of HK\$275m during the past three years alone; the Hong Kong Bank's and Cathay Pacific's sponsorship of HK\$1m annually each for the Rugby Sevens; or Seiko's HK\$4m for their annual super tennis).

The Jockey Club's unique situation ensures donations to recreation and arts so vast (HK\$720m and HK\$550m respectively in the past 10 years) as to make the organisation in effect an extra arm of the Government.

Nonetheless, in this financial hotbed, corporate giving to the arts has been confined to a few companies, with the average donation £10,000 (compared to £25,000 in the UK) and the total accounting for a mere 5 per cent of arts organisations' annual budgets. Their policies of "corporate citizenship" carried overseas, ensure that American companies are the most forthcoming and numerous.

Chase Manhattan, Citibank, IBM, Mobil, Philip Morris and BJ Reynolds predominate, with annual sums in excess of HK\$200,000 not untypical.

American Express HK\$2m sponsorship of the 1986 Arts Festival Henry Moore exhibition was, according to the Festival director, Mr Keith Statham, "the biggest-ever single arts sponsorship in Hong Kong."

Most British businesses, on the other hand, pampered by government provision at home and out of touch with the increasing UK trend to sponsorship, do not see why they should sponsor the arts at all. Lacking any company policy, most gestures depend on the goodwill or personal interests of the chairman.

Notable exceptions include British Airways, Instrumental (with the Hong Kong Tourist Authority) in setting up the prestigious annual Hong Kong International Arts Festival in 1973—and a long-term patron. According to the Festival's logistics director, Mr Charles Hardy, "the annual contribution would average in the region of £75,000 per year." Other generous British companies include the Hongkong and Standard Chartered banks; BAT; and Cable and Wireless, each donating between HK\$200,000 and HK\$500,000. With their prestigious arts

exhibitions (annual outlay: HK\$1.25m) in the Landmark and Exchange Square buildings, Hongkong Land are one of the territory's most visible sponsors.

Local companies Cathay Pacific and DHL exemplify different approaches. Cathay's long-established diversified philanthropic activities (in addition to education and welfare, they subsidise air fares for local and visiting performers) total around HK\$3m. DHL, on the other hand, at Chairman Po Chung's initiative are new to arts and along with an annual HK\$300,000 for sundry activities, last year made news by the HK\$1m to sponsor Hong Kong Philharmonic's tour of China and subsequent funding of young Shanghai violinist, Wang Xiao Dong, studies at Juilliard Music School in New York.

Generally, though, traditional Chinese companies (Banks of Hang Seng and East Asia excepted) perhaps regard the arts as a frivolous luxury and prefer to give to education.

Local tycoons including shipping magnate, Sir Y. K. Pao, and other powerful business figures, Messrs Li Ka-shing, Henry Pok, Wong Kwang-Cheng, Sir Kenneth Fung, all make headlines with amounts donated for their personal fortunes to the PRC. Between them, they have poured millions of dollars into schools and universities in their Chinese homelands.

The most spectacular gifts have been movie moguls, Sir Run Run Shaw's annual HK\$100m to various Chinese universities. He and Sir Ken-

neth Fung, however, are exceptional in giving additional "incalculable sums" to Hong Kong's arts.

Prominent also among the territory's benefactors is Lord Kadoorie, whose broad-scale philanthropy has won him honours at home and overseas.

In line with its incursion into the Hong Kong business scene, China too, is becoming involved. Xinhua News sponsors PRC events overseas while this year's spectacular New Year fireworks display at a cost of HK\$1.6m was possible, thanks to China Resources (Holdings).

The most reticent sector of the business community are the Japanese. As elsewhere, with few exceptions (Seiko's past sponsorships of the Fireworks and Canon's recent HK\$500,000 endowment to the Arts Centre's School of Photography) their contribution to the cultural life of Hong Kong is negligible. Their unmistakable commercial message, spelt out in the array of neon-lit company names along the island waterfront, is not lost on local fund-raisers.

After approaching 30 Japanese companies for sums as little as HK\$20,000 ("a mere pittance in yen"), one sponsorship manager echoed others' dejection by concluding that asking Japanese companies for support—even for Japanese events—is "not worth the hassle and grief."

It is still early days for arts sponsorship by big business in Hong Kong with in many cases neither side gaining as much as they could.

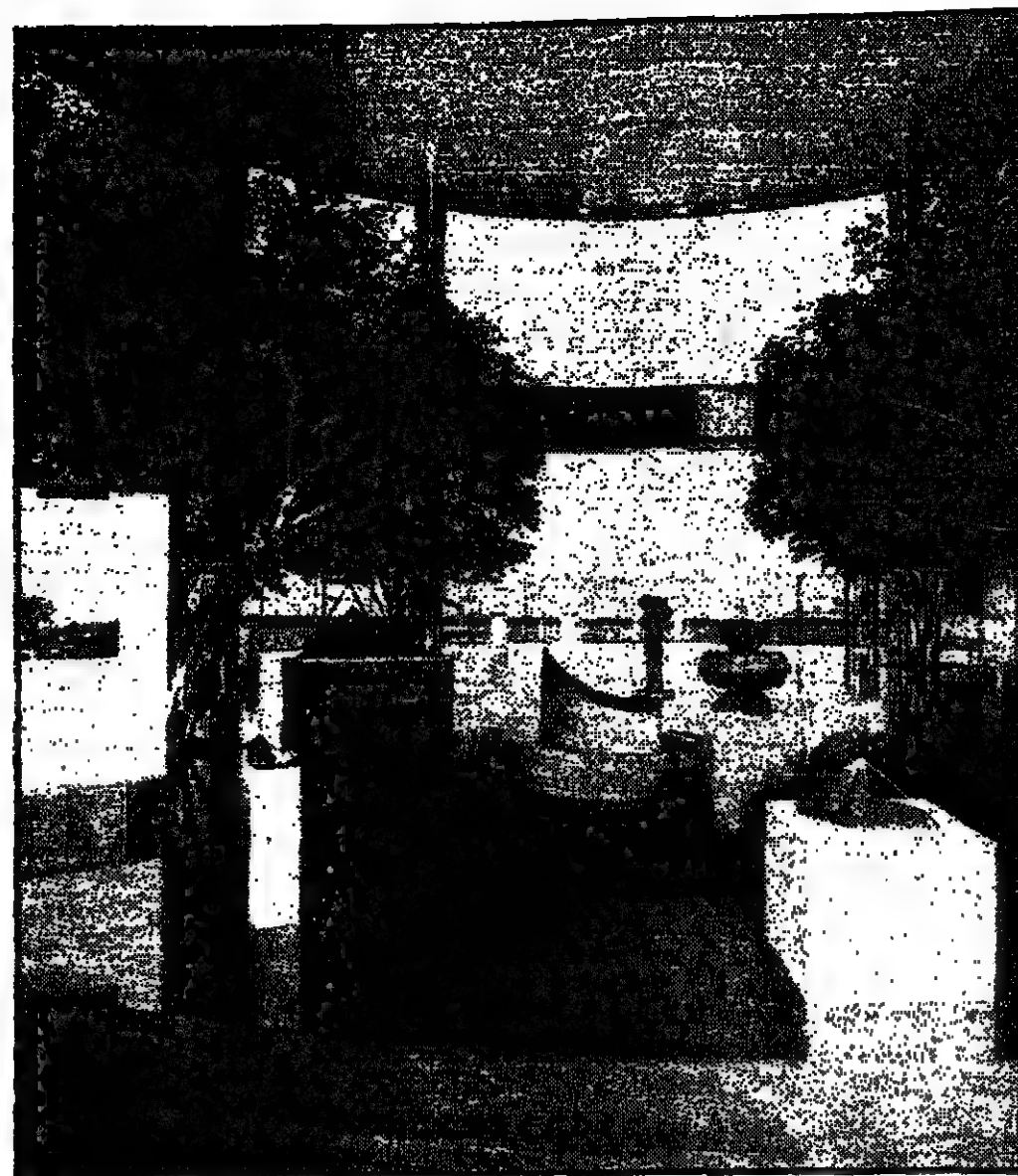
Nonetheless, each year new companies are "putting their toe in and testing the waters," as Mr Peter Quick describes his company's (Kowloon-Canton Railway) recent first-time sponsorship at HK\$600,000 of a Hong Kong Philharmonic concert. In an imaginative "match," KCR sponsored the orchestra's first concert at the new Sha Tin Hall beneath KCR's headquarters in the New Territories.

As 1997 approaches and more companies from abroad are setting up shop in Hong Kong to be on the doorstep of China, corporate involvement in the arts will become more important. Mrs Helen Yu, responsible for Culture and Entertainment at the Urban Council, points out that "the highly sophisticated arts venues China will take over will undoubtedly still need substantial financial support from business."

Indeed, this could provide stability during the transition period. Artists ("sensitive, observant and outspoken, according to one worried performing company director") could be the first group at risk in an authoritarian clampdown—despite the "one-country, two-systems" promises.

With the winds of attack on "bourgeois liberalisation" blowing strong out of Peking, a short ten years remain to put in place some infrastructure to preserve the artistic freedom Hong Kong now enjoys. However, arts and business solidly integrated by more corporate support might provide that necessary insurance.

Marie Myerscough



The exhibition area in Hong Kong Land's Exchange Square.

Family profile

Thriving on hope and hard work

THE LI's are the Smiths of Hong Kong. There are the mighty Li's like the millionaire Li Ka-shing, and the lowly Li's who make daily appearances in the newspapers as "ifs"—illegals. But most typical are the middle Li's—men like Mr Li Fai and Mr Li Wing-Keung.

Mr Li Fai and his wife arrived in Hong Kong less than 20 years ago—he from China, she from Laos. They live in a high-rise block in Tuen Mun, 40 minutes from the centre of Kowloon.

Their 400 sq ft flat has two bedrooms and a living room, decorated by an aquarium with four goldfish for luck. The Li's prefer lucky fish to insurance, which, like the making of a will, is considered an ill omen. They relish the privacy of their new flat after years of sharing a Kowloon tenement with another family.

Mr Li Fai works eleven hours, seven days a week, as a cook in a dim sum restaurant for HK\$3,500 a month, with two free meals a day and 24 days off a year, moving jobs whenever he wants a pay rise. His wife has been working eleven years in the same shop, because "the company treats us well." She earns under HK\$3,000 a month for a 66-hour week, with seven days' paid holiday a year, two free meals a day and up to HK\$100 per month for medical expenses.

After the statutory 10 weeks' maternity leave Mrs Li left her child with a childminder. She would like to see more of her daughter, now three, but cannot afford to give up work.

Mr Li Fai and his wife do not expect their life to change much before or after 1997—"some people have to stay—so why not us?" They say that a government provident scheme "would be nice, but then nobody would work."

Most of their money goes on their home-ownership scheme: the mortgage and transport, but the Li's still manage to save in sepa-

rate bank accounts. Their main concern is to provide for the education of their daughter, whom they would like to go to university.

The hope of a better life for his children is the main motivation of Mr Li Wing-Keung, proprietor of the Nice Electronic Company. Born in Hong Kong, he is the son of an immigrant who brought up six children in a 100 sq ft room in the Shamshuipo district of Kowloon. Li Wing-Keung, 28, has an encyclopaedic knowledge of computers and a command of English language which many a graduate would envy. Much of his knowledge is self-taught.

Mr Li left school at 18, worked as a salesman, married, and bought a gift shop with help from his in-laws. With 10 per cent of the price as a deposit, he needed no references. Two years later he decided to specialise in computers, a profitable decision "because I had technical knowledge, knew the market, and could explain things to customers."

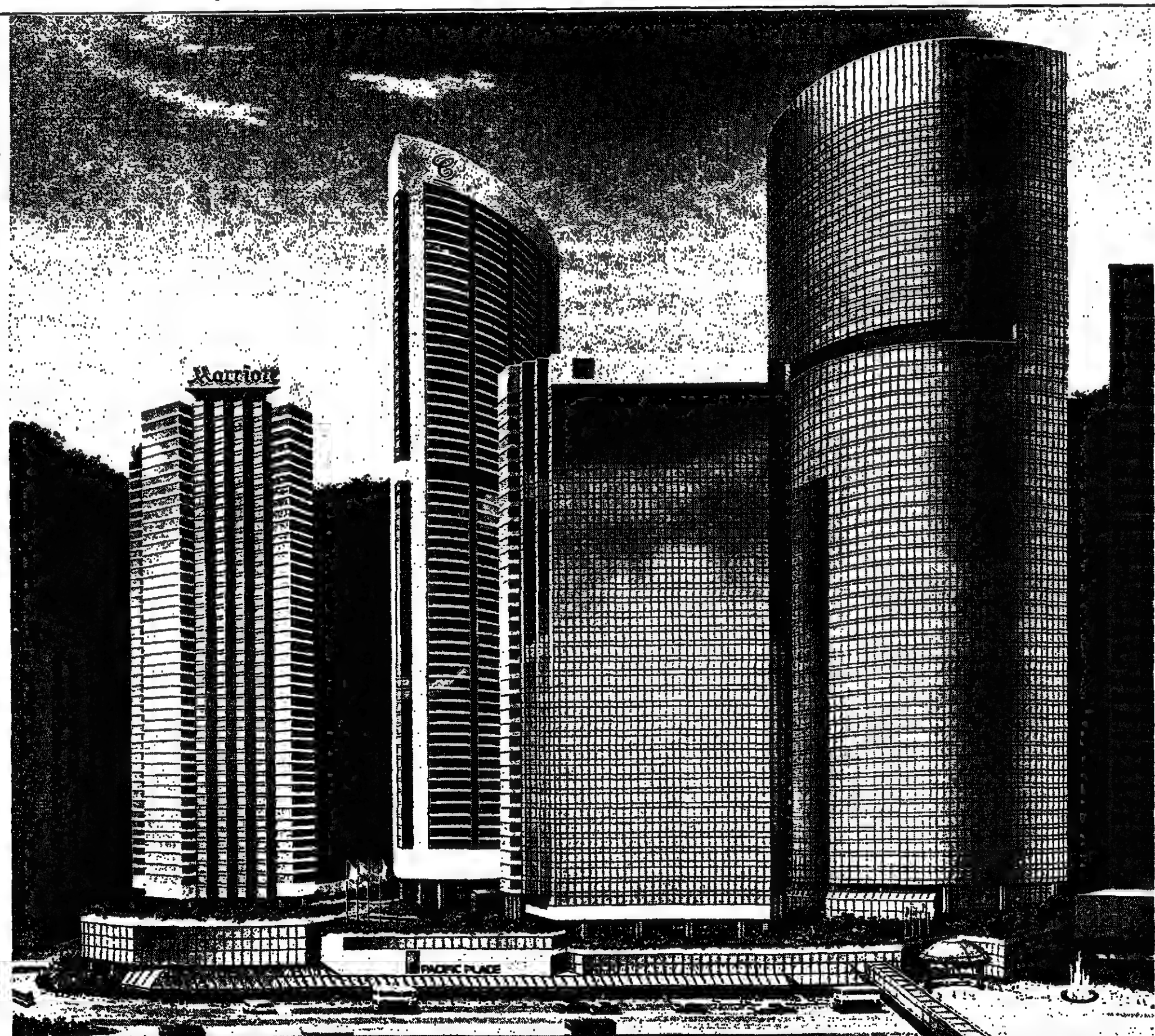
He and his wife employ four staff, selling, installing and servicing computers 12 hours a day, seven days a week. Their joint income is about HK\$11,000 a month.

Two years ago they moved from public housing to a 380 sq ft flat in Shatin, New Town. About 25 per cent of their earnings go on the mortgage, 30 per cent on food, 2 per cent on gas and electricity.

Mr Li keeps his savings in a bank, earning 3 per cent interest, but "safer than the stock market." He considers his tax bill is not onerous, and is glad that it helps fund public housing.

Mr Li Wing-Keung expects to do well in business, but is worried about 1997, and would consider selling up if he was offered a good job in Australia. "At best, nothing will change," he said, "at worst we will have complete control by the Chinese Government."

Jana Howlett

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HONG KONG

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HONG KONG 8

Imaginative proposals for the development of a massive new infrastructure project are now before the Government

Key decisions awaited

RECONCILING THE principle of balanced budgets with the development of an efficient and integrated infrastructure has never been easy for the Hong Kong Government's planners. But there have been only six (modest) budget deficits during the last 40 years, and during that time a carefully planned, mostly efficient, and extremely complex infrastructure has evolved. It keeps 5.5m people on the move, provides 47 per cent of them with public housing, and boasts the second-busiest container port in the world.

Infrastructure development has been aided by what some would say is a cosy relationship between government and private sector. Gas, electricity, and telephone services are all provided by private concerns under schemes of control that allow them a permitted return on net fixed assets.

The private sector has also been called on to undertake infrastructure projects such as building Hong Kong's cross-harbour tunnels.

There are few readily identifiable flaws in the overall infrastructure. Critics nevertheless argue that the Government has a piecemeal approach to the development of a truly intermodal transport network.

That criticism was brought sharply into focus late last year when a consortium led by Mr Gordon Wu's Hopewell Holdings put forward an imaginative proposal for the development of a massive and strategic infrastructure project, that would include the new facilities, a replacement airport, a highway linking the territory with China, housing for some 200,000 people, and other related infrastructure on large tracts of reclaimed land west of Hong Kong Island.

Mr Stewart Elliott, Hopewell's executive director, says: "They do not have a complete, co-ordinated group in position to handle all facets of the infrastructure. They have all done their own bit in isolation and then tried to join it together."

Mr Wu's proposal, however, highlights the multitude of considerations facing government for every strategic planning decision that is made. The remaining lifespan of the congested, one-runway Kai Tak Airport is now being studied in detail, but an earlier government study concluded that Chek Lap Kok, on the western side of Lantau Island, would be its best location.

Mr Peter Johnson, Deputy Secretary for Transport, says Mr Wu's proposed highway, linking the replacement airport to China, does not serve the needs of the northwest new territories as efficiently as a proposed "Route X" which would be linked to the New Territories' strategic circular road.

He refers to Mr Wu's proposal as "a single-purpose alignment" designed to feed traffic on to a highway which Mr Wu plans between Hong Kong's land border with China and Guangzhou (Canton).

Port facilities proposed by Mr Wu are being carefully considered as an alternative to siting them on reclaimed land off Stonecutters' Island, off western Kowloon, as recommended in an earlier feasibility study, but there are again numerous objections that can be made to Mr Wu's proposal.

Ever mindful of balanced budgets, the Government clearly does not want to look a gift-horse in the mouth. It feels successful long-term planning is embodied in careful, balanced decisions that are impervious to the euphoria of the moment.

The Government's compromise appears to be to examine carefully the overlap between existing government plans and Mr Wu's proposal. While much

has been made of the consortium's claim that it can provide the whole package for HK\$25bn — substantially less than earlier government estimates for a replacement airport — government officials say price will only become relevant when it is decided that the project is genuinely needed.

One senior government official commented: "The question now is not whether it's cheaper, but whether and when we need it, and then where we need it."

Having said that, the Government is also well aware that if the project runs into difficulties, it will be left with the problem of picking up the pieces. It will want assurances that there is no such possibility, but there is no realistic hope that these will be copper-bottomed.

Much now depends on a study into the impact that land reclamation in Hong Kong's inner harbour will have on water quality in the harbour. This study is due to be complete in the middle of 1988, and whatever the outcome, it is unlikely that Mr Wu will get the early decision he seeks. Some officials indicate that decisions are unlikely for at least two years.

Mr Wu's proposal has, however, inadvertently, pinpointed the fact that Hong Kong does not have a team of planners in place to handle such wide-ranging infrastructure developments. The shortcomings of this have been revealed in some departmental feasibility studies.

For example, a feasibility study on future port development had chosen Stonecutters'

Island as the best location for new port development, because it had assumed that development of Lantau Island was unlikely because there were no plans to build a road linking the Hong Kong mainland to Lantau.

However, government departments do take into consideration plans for overall development of the infrastructure, and the strategic planning unit is there specifically to oversee broad long-term plans. Mr Elliott claims—and others appear to agree—that the Government responded very quickly to Hopewell's integrated proposal, immediately setting up a high-level working group to study it in detail. Other criticisms of the quality of Government's strategic planning appear to be based on short surges of demand that are difficult to project accurately.

For example, port capacity is now stretched due to annual growth rates in excess of 20 per cent during the last two years. Some say that indicates poor forward planning, but as Mr Gerry Higginson, Director of Marine, says: "If you plan for 20 per cent, and growth drops to four per cent, a lot of operators are going to lose a lot of money. We're caught once again between massive short-term demand, which we have to deal with, and the need to take a sensible, long-term strategic look."

He also points out that projections are made after substantial input from the private sector. They too, have been surprised by the high growth rates, he says.

Another common criticism is that government planners have taken insufficient account of China's burgeoning international trade, and the impact that this has had on Hong Kong's role as an entrepot. Mr Higginson says: "We do try to assess the China dimension, but it's difficult to reach firm conclusions."

Trade Impact

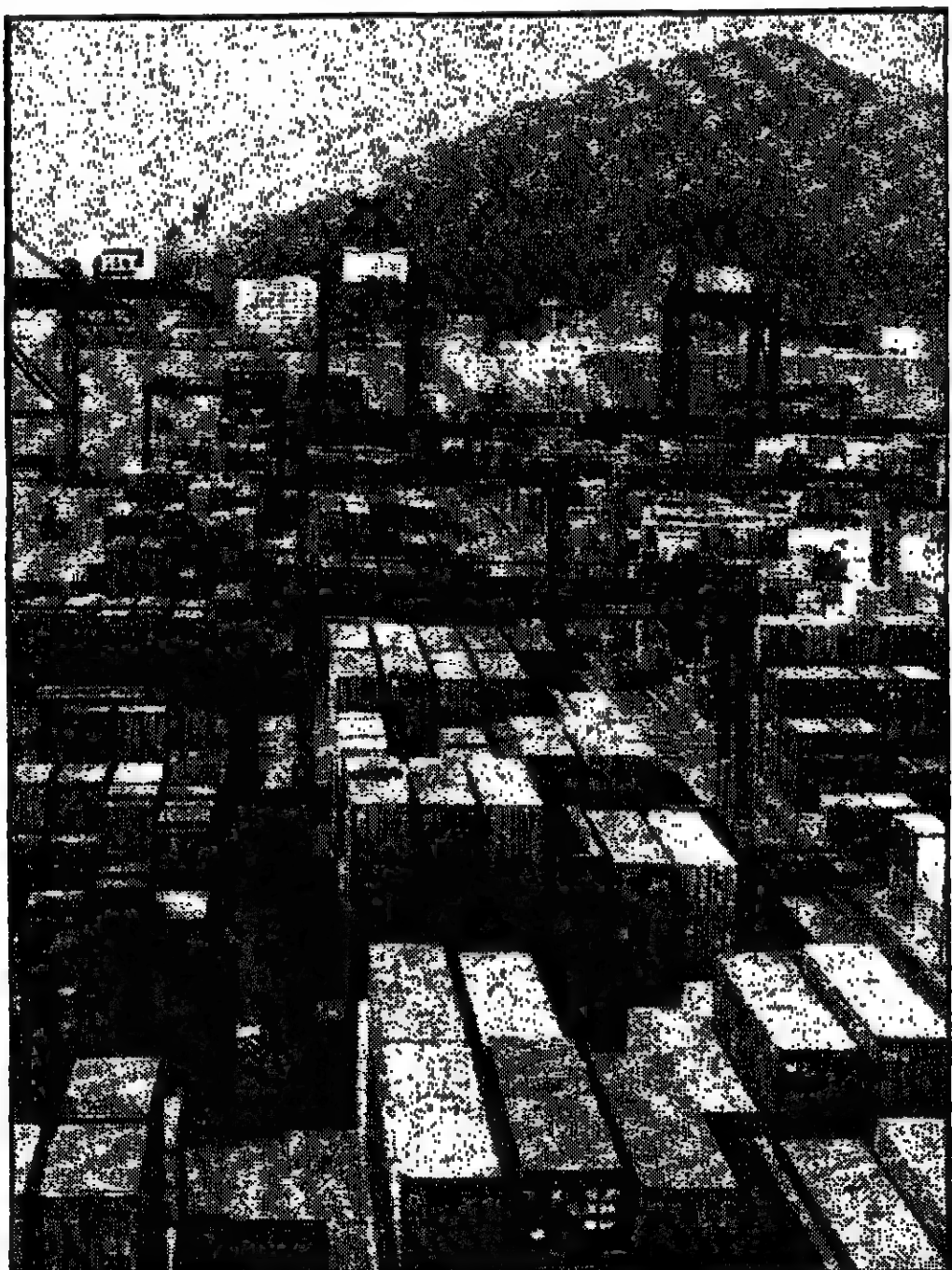
He adds that current development of new ports and port facilities in China might result in more traffic by-passing Hong Kong—but on the other hand, it might not. Even if it does, it would be virtually impossible to predict accurately how soon, and at what pace, this would happen.

Meanwhile, substantial additional capacity is being added to the Kwai Chung container port, which now has capacity for 2.2m TEUS (20-foot equivalent units). The three-birth terminal six is now under construction, with the first berth coming on line by the end of next year and the remaining two in 1990. It will add nearly 25 per cent to current capacity.

Continued high demand means also that tenders for the construction of terminal seven will be awarded early next year. Also a three-birth facility, it will add a further 36 per cent to existing capacity and could be online by 1990.

Mr Higginson says that a decision on further port development will have to be made by the end of next year.

Kevin Hamlin



Kwai Chung Container Terminal, the second busiest of its kind in the world, after Rotterdam, having overtaken New York. Substantial additional capacity is now being added to Kwai Chung.



Hong Kong Island's Eastern Harbour Crossing—a joint venture between Costain International and Costain-Pearson Bridge. Hong Kong has one of the world's most densely-used road networks.

Road network projects

Unlocking the snarl-ups

LESS THAN a half of the territory's 1,345 kilometres of roads, those serving the island and the Kowloon Peninsula, struggles daily to cope with 7m public transport trips. There are nearly 287,000 vehicles on what is one of the world's most densely-used road networks.

"Given the physical circumstances of Hong Kong, you could never build sufficient road space to transport everybody by road, it would be environmentally and economically impossible," says Mr Philip Johnson, Deputy Secretary for Transport.

It is not surprising, therefore, that crude financial measures have been used to control vehicle ownership. Road taxes are among the highest in the world, and were sufficient disincentive to induce a 2.7 per cent fall in private cars last year, to 139,321.

Despite that, planners are kept in overdrive, building roads to cope with the ever-growing demand overall, as registered vehicles increased 1.5 per cent last year to 266,828. There are currently some 40 highway projects under construction, estimated at a value of over HK\$3.5bn, and another 80 projects are planned. There are additional outstanding commitments of HK\$2.5bn.

In the year to March 1988, expenditure on roads is expected to be in the region of HK\$910m, up 30 per cent on the previous year. Around 70 per cent of that is for on-going projects, while the remainder will be allocated to new contracts during the year. Tenders will be invited for 38 contracts, estimated at a total value of some HK\$1.04bn, during the year.

Two major snarl-ups affecting the road system are at the Cross-Harbour Tunnel and at Lion Rock Tunnel, which links urban Kowloon with the New Territories. Moves are afoot to relieve pressure on both.

The second cross-harbour tunnel, called the Eastern Harbour Crossing, is due to open in early 1990, and Tate's Cairn Tunnel, for which tender documents are now being prepared, is due in 1992. The Government says five private consortiums have shown interest in the project.

The Cross-Harbour Tunnel, opened in 1972, is the world's busiest four-lane tunnel, with more than 110,000 vehicles a day using it in the latter part of last year. Government estimates that the HK\$3.4bn Eastern Harbour Crossing, being built by a consortium led by the Japanese construction company, Kumagai

Gumi, could initially take up to 35 per cent of cross-harbour traffic.

The HK\$1.3bn-HK\$1.5bn Tate's Cairn Tunnel—due for completion in 1992—will provide relief for the Lion Rock Tunnel, which had an average of 79,000 vehicles using it daily last year.

Apart from the two major tunnel developments, other significant projects are the final phases of the strategic road network. The final section of New Territories circular road, linking Au Tau and Fanling, is under construction, with completion scheduled for 1991.

The last leg of the spectacular Island Eastern Corridor, which runs along the northeast water front of Hong Kong Island, got underway last month and should be operational in tandem with the Eastern Harbour Crossing. The remaining link is between Shau Kei Wan and Chai Wan, and will cost HK\$184m. Work on an expressway linking Sha Tin to Tsuen Wan is now underway and should be finished by the end of the decade.

Another important development is the construction of a 1.8 km bridge at Lok Ma Chau, on the China coast, for HK\$322m. The Lok Ma Chau Link, which

should be completed late next year, will become the third border crossing.

A key part of future planning for China traffic is Route X, which will most probably link Tsuen Wan to Yuen Long, from where the new territories circular road would carry China-bound traffic, which will decide on the road's precise alignment, got underway recently. Its conclusions should be known by the end of the year. The study will also look at the possibility of extending Route X on to Lantau Island, as proposed by Mr Gordon Wu's consortium. Government needs the road is needed by 1996-97, though Mr Wu proposes completing his version by 1992.

Critics say that the Government has been slow to respond to increasing vehicular traffic to and from China, an increase of nearly 50 per cent to 7,998 vehicles a day by late last year. Dr Victor Sit, lecturer in geography at the University of Hong Kong, says: "The speed of development has not been satisfactory. For example, the Chinese proposed the opening of the third cross-border checkpoint five years ago, but serious consideration was only given to it at least two years after."

Dr Sit says planners failed to take sufficient account of external factors, but he also sees political considerations.

Mr Johnson, however, says that "we are satisfied that the three crossings will provide sufficient capacity to take us through until the end of the century. The existing and planned strategic road network is sufficient to absorb the traffic that will be produced by those crossings."

The government has not had an easy ride controlling vehicular traffic. Its attempt to introduce electronic road pricing (ERP), a system which charges vehicles for using busy roads at peak periods through electronic signals between road and vehicle, was placed on the back burner late in 1985 after floundering on strong public and political opposition.

Opponents of the scheme argued that it could be used as a form of surveillance, and was an unacceptable intrusion into privacy. ERP also has opponents within government, but few people argue that it is not the most efficient and equitable way of controlling the use of roads.

In February, Mr Peter Leeds, then-transport commissioner, said ERP could ultimately be the only solution to congestion on roads.

Kevin Hamlin

Airport development and aviation

Mr Wu stuns the planners

TO SOME people in Hong Kong, Mr Gordon Wu, chairman of the Hopewell Holdings development concern, is a brilliant visionary. To others he is a hopeless eccentric. But few would deny that his proposal for a new HK\$25bn airport, to replace the territory's cramped and crowded Kai Tak has forced the Government to face up to one of the most awkward decisions that will confront it between now and 1997 when Hong Kong reverts to China.

Mr Wu's idea, unveiled in January, arose out of proposals to extend the highway he is building between Hong Kong and Guangzhou (Canton). The extension would sweep through the New Territories to Lantau and Hong Kong Islands to which it would be linked by a tunnel and a series of bridges.

It would include new port facilities in Hong Kong harbour. The idea of an airport built on reclaimed land off the Western coast of Lantau came almost as an afterthought.

In the best tradition of Hong Kong it was offered as a purely private sector venture that would not cost the taxpayer anything. From the outset, Mr Wu had the support of another leading businessman, Mr Li Ka-Shing; others quickly sought to join.

To many in Hong Kong there could scarcely be a better way of demonstrating confidence in the future of the territory after 1997. Yet the proposal has thrown government planners into disarray.

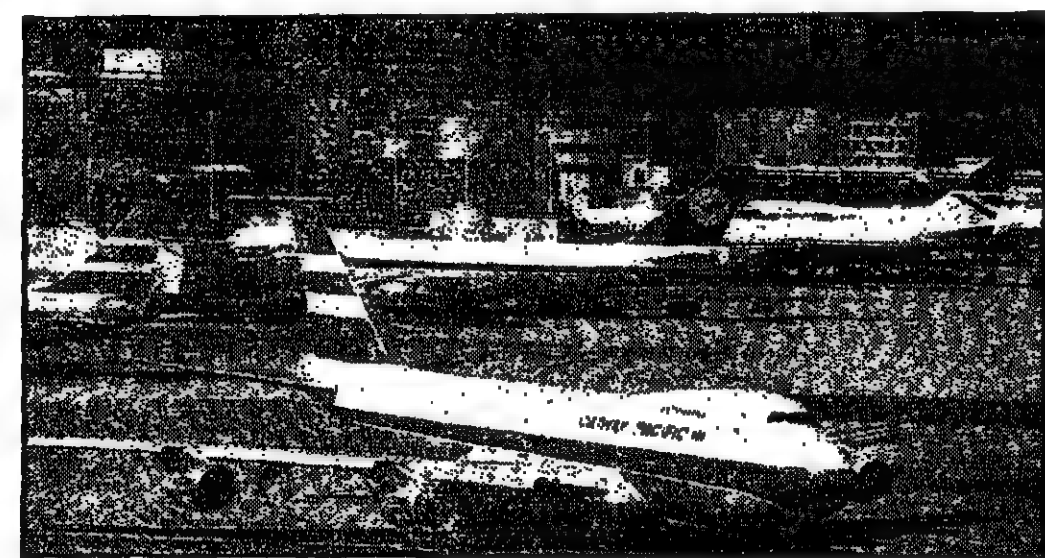
It is painfully evident that Kai Tak's days are numbered, though precisely how numbered remains a matter of considerable debate. The present airport lies in the middle of a built-up area. It is difficult to fly into, noisy and limited to day-time flying.

Short of a major harbour infill there is also little room for further development there. Yet it is also an extraordinary stroke of bad luck for the Government that this realisation should coincide with the end of British rule. Whatever decision it makes is bound to be complicated by the delicate course of Sino-British relations.

Earlier studies commissioned by the Government have suggested that Kai Tak's capacity could be stretched to make it last into the next century. It had earlier rejected a similar proposal to that of Mr Wu on grounds of cost which it is estimated at HK\$40m.

Now Mr Wu is offering an airport and other facilities as well for less than the Government previously estimated, forcing it to review the position.

Among its worries are that Mr Wu's scheme is simply too good to be true. He says that if the decision to go ahead were made



Kai Tak Airport: its days are numbered.

nothing wrong about waiting to decide; in practice it is a big dilemma.

To reject the scheme out of hand could be seen as a gesture of lack of confidence in the future. To accept it involves the economic risk that things might go wrong in mid-stream, forcing the Government to pick up a major tab in its last few years in control.

To play too long might mean a late discovery that Hong Kong badly needs a new airport after all, but by then private sector confidence might not be sufficient to come up with the finance. There could scarcely be a better example of how the choices facing the colonial administration outside the immediate realm of politics are starting to be complicated by the approach of 1997.

Meanwhile, the continued push by Dragonair to establish itself as the territory's second local airline is another thorn in the Government's side.

Dragonair was founded in 1985 with mainland Chinese backing by a group of local businessmen who wanted a truly local airline that could serve as the territory's flag carrier after 1997. Cathay Pacific, which holds that position at present, is seen by some in the local Chinese community as a basically British affair.

Though nearly a quarter of its shares were floated on the local stock market last year, Cathay is still majority-owned by the Swire group. For it to continue as the flag carrier after 1997 might be seen as an anomaly. Yet it would be hard for the Government to dislodge an established carrier even if it wanted to. While Cathay is making profits, Dragonair continues in the red, facing an uphill battle to gain acceptance. After an acrimonious fight with Cathay, it was denied the

right to fly to the UK and at present is confined to regional centres in China and Japan and to flights to Thailand.

Critics of Dragonair in the aviation industry say it has made its task unnecessarily hard for itself with a muddled strategy for growth and poorly prepared route applications. This has made it easier for Cathay to hold on to its established routes under the Government's one airline-one route policy. Yet Dragonair, whose Chairman is the shipping magnate Sir Y. K. Pao, is not likely to accept defeat that easily.

Sir Y. K. Pao's family interests hold 35 per cent of Dragonair. Among other shareholders is Hong Kong Macao International Investment with 25 per cent whose chairman is Mr Chao Kuang-piu, the local textiles magnate.

Another shareholder is Mr Li Ka-Shing's Hutchison International, while mainland China has an indirect stake of some 7 per cent. Though small at present, the airline has definite plans for future expansion and late last year ordered two McDonnell Douglas MD-11 aircraft for delivery in 1992 that will add to its fleet of three Boeing 737-200 planes.

"We don't want to be the airline," says Mr Stephen Miller, general manager. "We just want to be an airline with equal opportunity. We feel there is no justification to government aviation policy."

Clearly, Dragonair intends to continue testing that policy in the years ahead and the Government will be in the unenviable position of having to arbitrate with at least half an eye on China.

Peter Montagnon

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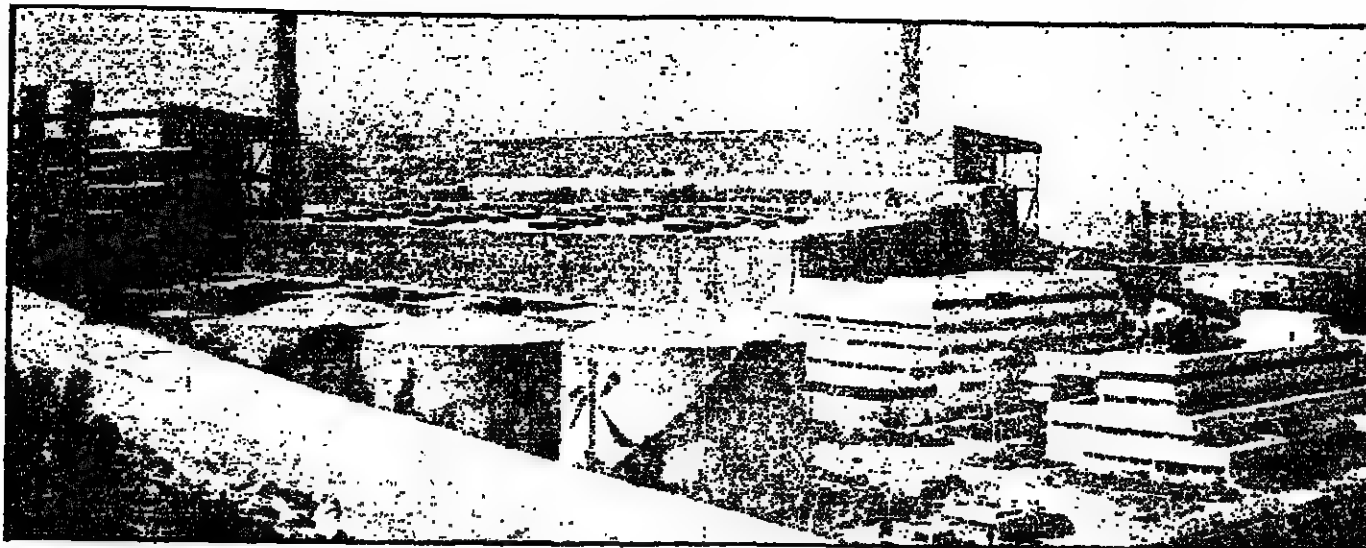
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HONG KONG 9

Hong Kong's Schemes of Control—private sector monopolies with an important difference . . .



Castle Peak power station, due for completion next year, will be Asia's largest single thermal power station.

Profile: China Light and Power

Two decades of growth

"If a scheme of control allows both consumers and shareholders to be happy, then you can be sure that we are happy," commented Mr Bill Stones, chief executive of China Light and Power, the larger of Hong Kong's two electricity supply companies.

China Light, controlled by the family of Lord Kadoorie for over 80 years, agreed Hong Kong's first scheme of control in 1965. At the time, China Light was in a frail state. It had made no dividend payments for some years, and was in no condition to make the substantial investments that appeared necessary if growing demand for electricity in Kowloon and the New Territories was to be met.

When the decision was made to establish a scheme of control, it was the Government's third choice. A commission of inquiry set up in 1959 had recommended nationalisation. The Government then decided however to press China Light to amalgamate with its competitor, HongKong Electric, to form a single monopoly supplier.

Both companies balked at the idea. At the same time,

China Light had been in discussion with Esso on building a new power station on Tsing Yi Island.

"China Light came to the government and said that if they were to put so much money into a new power station, then they needed some assurances on how to fund it and remain viable," recalls Mr Peter Winder, who today monitors all of the territory's scheme of control.

"The market was booming, particularly in the manufacturing sector, and we couldn't meet demand for power with existing supply," he added.

A scheme of control emerged as the only mutually acceptable route forward. The government gave the power company a guarantee of an annual permitted return on assets of 15 per cent, at the same time demanding the right to approve any tariff increases.

This scheme, renewed in 1979 when China Light was laying plans for the new Castle Peak power station, laid the ground for two decades of powerful growth. It enabled the group to

keep pace with Hong Kong's hectic economic growth, to provide electricity more cheaply than almost anywhere else in Asia, and at the same time provided the group with an enviable growth and profits record. Today, the statistics speak for themselves. The company now serves 1.3 million customers, compared with fewer than 800,000 in 1977. While installed capacity has risen from 2,221MW in 1977 to 4,361MW today, sales have grown from 5.8mKWh to 13.8mKWh.

Net assets of the group have grown by more than ten fold in the same period, from HK\$1.7bn to HK\$19.4bn. Between 1985 and 1986 alone, group turnover rose from HK\$6.8bn to HK\$7.5bn, with after-tax profits up from HK\$1.4bn to HK\$1.94bn.

Meanwhile, electricity charges have fallen not just in real terms, but in nominal terms, with charges 4 cents per unit lower today than they were in 1983.

Castle Peak power station, the last units of which should be complete early next year, will be Asia's largest single thermal

power plant. Its completion not only leaves the group with a comfortable 34 per cent reserve capacity, but enables it to sell substantial quantities of electricity over the Chinese border. The group last year earned almost HK\$450m from such sales.

To ensure that China Light does not abuse its monopoly position, or attempt to "rig the figures" to inflate profits, the government has occasional external checks by auditing and consultancy groups like Ernst and Whinney and Burns and Rowe.

Ms Anson Chan, the government's recently appointed Economic Secretary, has few reservations about the way the scheme has worked. "Customers get reliable service when they want it, and at a reasonable cost. Shareholders get a reasonable return on their investment, and have been encouraged to invest. The scheme involves minimal government interference. It really appears to work well in terms of our stated objectives."

David Dodwell



The Cable and Wireless earth station at Stanley. HongKong Telephone which has the local monopoly in voice telephony handled over 27m IDD calls last year.

Profile: HongKong Telephone

A service transformed

HONGKONG TELEPHONE'S scheme of control was, like many others, born out of crisis—in their case a storm of public protest over a proposed 70 per cent increase in charges for long distance calls.

The move was an emergency response to a financial crisis that had unfolded as a result of inadequate investment, and an urgent need to replace antiquated equipment. Government officials recall overborrowing to buy obsolete equipment. HongKong Telephone's own executives recall pressure to keep charges as low as possible.

The government inquiry that followed in 1974 allowed the

group a 30 per cent increase, and imposed a scheme of control, effective from 1976, that was unlike any other in Hong Kong in that it gave a 16 per cent permitted return not on assets, but on shareholders' funds.

In return, HongKong Telephone was granted a monopoly of voice telephony in the territory up to 1985. "By relating profit to investment, the scheme discouraged borrowing and encouraged shareholder financing," said Mr Peter Winder, who oversees schemes of control for the Government.

Eleven years later, HongKong

Telephone is a company transformed. So too is the telephone service provided to local subscribers.

The group's turnover in 1986 was almost HK\$2.8bn, which generated a profit of HK\$696m. In 1976, turnover of less than HK\$300m had produced profits of barely HK\$100m. As it proceeds apace with the installation of digital exchanges—with 48 per cent of all connections now using digital equipment—so exchange capacity has doubled to more than 2m lines over the decade. It handled over 27m IDD calls last year, compared with a meagre 93,000 in 1976.

David Dodwell

Kai Tak airport is benefiting from buoyant trade growth

Air freight at Heathrow levels



Air shipment means buyers get their repeat orders quickly.

per cent apiece. The Wharf (Holdings) and Hong Kong Whampoa Dock hold 15 per cent each while the remaining shareholder is the Government with 10 per cent. The company publishes no results but is understood to be highly profitable.

Under the scheme of control which is the basis of its franchise it is allowed to earn a return amounting to 12½ per cent of gross assets minus financing costs though this can be increased to 15 per cent if profit is carried

forward and charges to airlines are not increased. This twist to the scheme of control system provides both an incentive for the company to operate profitably and efficiently and to keep its charges down.

Last year there was no increase in charges and Mr Charter says they are unlikely to increase in 1987 either. In real terms charges have declined by about 15 per cent since 1976, he says.

Peter Montagnon

The ad hoc approach works

SCHEMES of control may have been an American invention, but they have found a natural home in Hong Kong, where a government committed to non-intervention has been only too happy to allow private sector companies to do what in many countries is done by nationalised corporations.

The odd consequence of this is that some of Hong Kong's most powerful and profitable corporations owe next to nothing to Milton Friedman's free market utopia, instead growing fat on guaranteed profits earned from quasi-monopolies.

"Our general principle is unquestionably non-interference," says Ms Anson Chan, newly appointed Secretary for Economic Services. "But in the case of public utilities, because they enjoy near monopolies or provide essential services to the public, the government has a duty to have a certain measure of control."

Since the first scheme was introduced in 1964—an agreement with the electric power company, China Light and Power—the government has drawn up schemes with the other power company—HongKong Electric, with the two telecommunications groups Cable and Wireless and HongKong Telephone, the territory's two bus companies, and two airport-based groups.

In addition, there are non-scheme agreements with entities like the Cross Harbour Tunnel Company, the Peak Tram and ferry companies like HongKong Yau Ma Tei Ferries and the Star Ferry, which fix prices and enforce performance standards.

Mr Peter Winder, who is responsible in the Hong Kong government for monitoring the schemes, openly admits that there has never been a single policy or formula for setting them up. "There has been no uniformity of approach," he says. "Government tends to rely on ad hoc-ery."

Keenly aware of occasional complaints about potential abuse of monopoly positions, he adds: "If people say the schemes are over-generous, then it is because they were the best that could be negotiated with arrangements that already existed."

It would be easy to overstate this case, however, since



Ms Anson Chan: The Government has a duty to have a certain measure of control.

schemes were often in fact the product of crisis, or sudden massive investment needs. China Light's own scheme is a good case in point, agreed at a time when major new power plants had to be built. As Mr Bill Stones, China Light's managing director, noted: "Who is going to build a Castle Peak power station, with an overall cost of HK\$20bn, unless there is an assurance that there is going to be a return on investment?"

Another case is the bus companies, pressed to agree schemes after years of underinvestment had left them with old and ill-maintained buses, or HongKong Telephone, which caused public uproar when it called for a 70 per cent hike in charges to address long-overdue investment needs.

In the absence of a single formula, the government has nevertheless drawn up guidelines for its schemes of control in which it says the govern-

investment, at the same time remaining keen to reinvest, and to compete successfully in the market for investments.

• To ensure the company remains financially strong

• To keep government interference to the minimum with no direct financial contribution from government.

Against the advantages of operating a monopoly, the government recognises that diversification can be limited by a scheme of control, that a company normally has to commit itself to unprofitable as well as profitable parts of its business, and may have to make major long-term financial commitments to meet future demand.

"We are protecting the public, in that we put requirements on companies to provide services that they probably wouldn't provide if they were taking account of purely commercial factors," says Peter Winder.

The end result has on the whole been remarkably successful. Hong Kong people—and the territory's fast growing manufacturing industries—have never been short of power, and buy electricity more cheaply than almost anywhere else in Asia. Charges are lower in nominal as well as real terms today than they were in 1983, with the power companies signalling no rate increases this year or next.

Hong Kong people also have one of the world's most efficient telephone services. Local charges remain free. About 88 per cent of all new telephones are installed within two days. Almost half of the lines now go through digital exchanges. An extensive call network has laid the basis for widespread use of hand-held telephones.

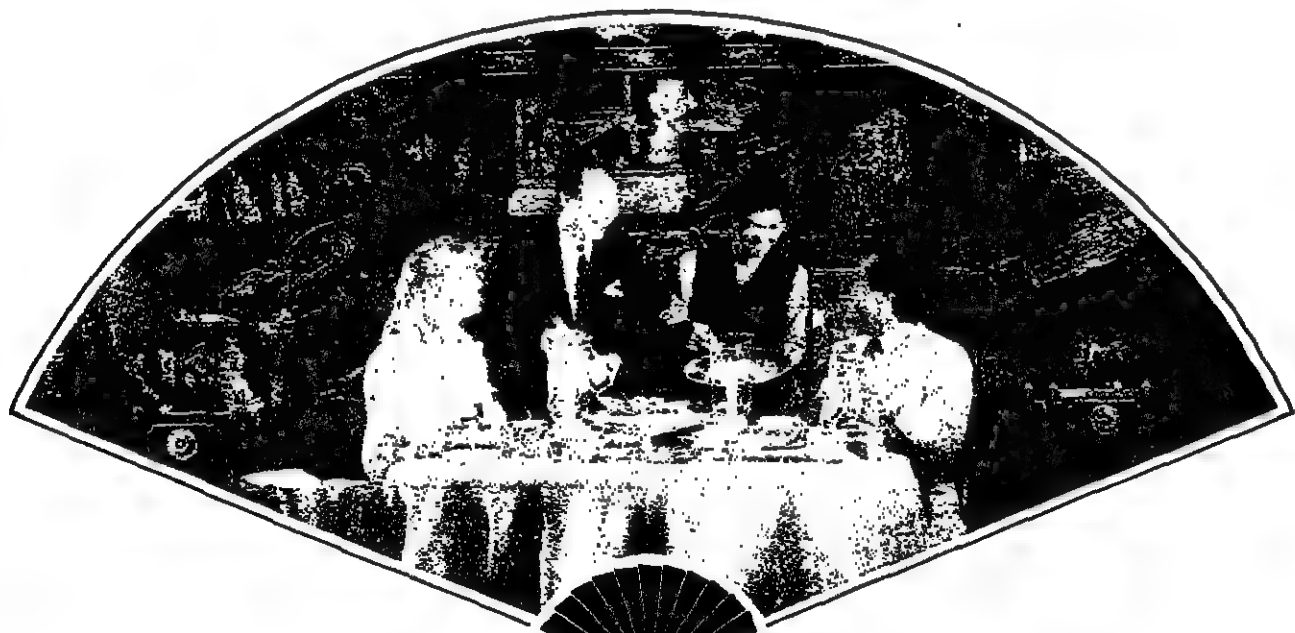
All of these services have been provided at no cost to the taxpayer, and have given the companies involved a track record of profits growth that would be the envy of most companies world-wide.

"We have never said we have it perfect," said Peter Winder. "We may have cheaper electricity, for example, than other countries in Asia, but is electricity as cheap as it could be?"

"We are relying to a very great extent on trust in companies to do the right thing, and up to today I think we have been vindicated. We think the record speaks for itself."

David Dodwell

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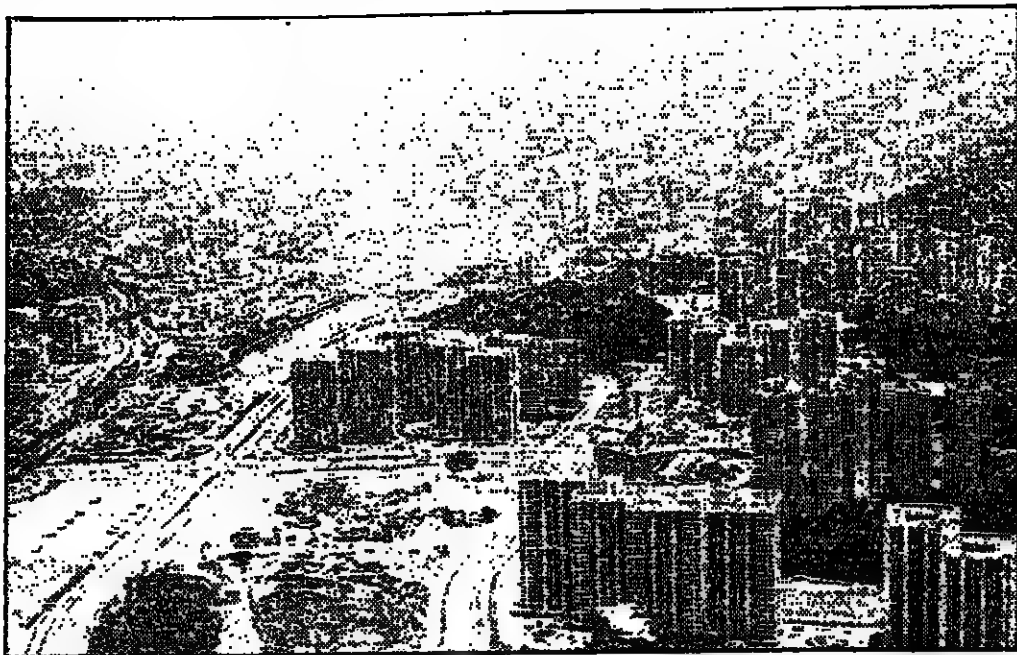
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HONG KONG 10



Sha Tin new town in the New Territories

New Territories

Quest for more balance in local communities

MR HUI YIN-FAT, legislative councillor, described the New Territories' new towns as "cemeteries with lights," back in 1981. His criticisms are less strident now, but they remain highly critical of government planners.

"There has been progress, but I'm not entirely happy about what has been done. Even now the Government doesn't like to spend money ahead of time to install services before people move in," he says, adding that his original criticism was prompted by Government's failure to make provision for amenities before people moved to the new towns.

The development of new towns gathered momentum in 1972, when a major building programme was launched. The objective was to build 1.8m units of accommodation in 10 years—most of those in new towns—and thereby to provide a better living environment for those living in impoverished conditions in older urban areas. Nobody disagrees that such a basic objective has been achieved. The first generation new towns—Sha Tin, Tuen Wan and Yuen Mun—now house 1.4m people.

The second generation new towns of Tai Po, Fanling, and Yuen Long are rapidly developing and will be mostly complete in the early 1990s. They have a combined population of some 340,000.

Difficulties

Development of Tin Shui Wai new town is now proceeding, with completion scheduled for the late 1990s.

The new territories have subsequently been transformed from a sleepy rural hinterland into a network of busy towns linked by high speed roads and mass transit railways. Its population has risen to 1.8m, from less than 500,000 in 1970. By the end of the century it is expected to reach some 3.5m, more than half of the territory's projected population.

With the change has come a series of problems for government planners, who originally set out to build "balanced, self-contained communities." The new towns are not balanced in terms of the population's age or class structure, nor in terms of job opportunities or accommodation categories; and the government acknowledges this.

Dr Peter Pun, from the Territory Development Department and president of the Institute of Town Planners, says: "We still plan them as balanced communities, but that is in the very long term. Given Hong Kong's small size and the convenient transport network, the new towns will never be 100 per cent self-contained."

Residents of Tuen Wan and Sha Tin, the nearest new towns to the urban area, can reach Hong Kong Island in about 30 minutes by Mass Transit Railway.

Dr Pun says that the new towns are balanced in that "schools, community centres, police stations," and so on are provided. Many people in Hong Kong disagree.

Dr Victor Sit, a lecturer in geography at the University of Hong Kong, says that in Tuen Mun and Sha Tin, for example, the projected primary school places required by the projected overall population build-up proved to be insufficient because newly-weds were those primarily attracted to move to the new towns.

"In Tuen Mun there is a lack of places in primary and secondary schools. Students have to travel long distances to go to schools," adds Mr Sit.

Dr Pun, acknowledging the problem, says the challenge now facing town planners is how to "adjust the urban fabric" to meet the changing situations. He says that "in Tuen Mun, three years ago the problem was a shortage of primary schools, now the children are secondary school age and the problem is a shortage of secondary schools. Soon we will have a surplus of primary schools."

Kevin Hamlin

Railway development

Transport policy gives priority to rail links

THE MASS Transit Railway Corporation (MTR) moves nearly 140,000 people through the Cross-Harbour Tunnel in the equivalent of 360 Boeing 747 jumbo jets during the morning rush hour. The passengers are crushed together, but not half as frustrated as motorists moving snail-like along the tunnel's approach roads.

Government's co-ordination of infrastructure development goes hand-in-hand with a subtle public transport policy designed to ensure that there is no "wasteful competition." The policy gives priority to the mass transit modes: the MTR and the Kowloon-Canton Railway Corporation (KCR), both government-owned.

Having spent some HK\$30bn developing railways during the last 12 years, the Government is determined that the MTR and KCR will not become mill stones, as so many mass transit systems have in other parts of the world.

Peter Johnson, Deputy Secretary for Transport, says: "We take the view, and I think justifiably, that in the long-term there is an overall public interest to be served by having controlled competition rather than a free-for-all. There is more co-ordination than some of the operators would like."

Public transport in the territory is otherwise privately operated. The Government controls competition through price and by stipulating where bus passengers can embark or disembark. Dr Victor Sit, lecturer in geography at the University of Hong Kong, comments: "There has been an important principle within government that the mass transit modes are preferred, and going all the way down the list is the passenger car. It is a very well-organised tier structure."

The rationale behind the policy is elaborated on by MTR chairman, Mr Wilfred Newton: "It would not be appropriate for Hong Kong to embark on the wholesale subsidisation of public transport because that would fundamentally change tax revenue requirements. I really don't think the people of Hong Kong welcome that," he says.

The MTR, which operates a HK\$36.6m system on three lines, had debts at an expected peak of HK\$19.2bn at the end of last year. Net losses were reduced to HK\$470m, compared with HK\$794m in 1985. The corporation expects to achieve positive cash flows in the early 1990s, and to return a profit shortly after. Debt should be virtually cleared by the end of the century.

Privatisation is considered a future possibility, but the Government does not have a fixed policy on the issue. The last phase of the MTR's Island Line, which now links Sheung Wan to Chai Wan along the densely populated northern shore of Hong Kong Island, opened in May last year. It has added 350,000 passengers a day to the network, which is the third busiest in the world, behind Sao Paulo and Tokyo, with 42,000 passengers per route kilometre daily.

The MTR's Island and Kwun Tong lines will be linked together by the second cross-harbour tunnel, the Eastern Harbour Crossing, at the beginning of 1990. With the cross-harbour tunnel section of the system now near its capacity of 75,000 passengers per hour during the morning peak, the Eastern Harbour Crossing will provide much-needed relief.

The new tunnel link is initially expected to add 90,000 passengers daily to the network, rising steadily to 120,000 a day. Mr Newton says the tunnel line will be "cash positive" from day one. The MTR will lease the rail tunnel from the private consortium now building it.



Central Station, Hong Kong

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Extensions

On other extensions to the MTR system, Mr Newton says: "It's very difficult to see, in the short term, truly justifiable extensions." An extension linking the Junk Bay new town, in south-east Kowloon, to the Kwun Tong line is the most likely in the foreseeable future, but its construction hinges on the Government giving the go ahead for phase two of the Junk Bay new town development.

The MTR could also be extended from Tuen Wan to Tuen Mun in the New Territories, but the problem here is that the likely construction of the route X highway on the same alignment would seriously affect a rail link's viability. Mr Newton says there is not sufficient passenger demand for bus and rail services.

The Kowloon-Canton Railway Corporation (KCR), which operates services from Kowloon to the border with China as well as through trains to Guangzhou, recorded a net profit up 113 per

cent to HK\$117m last year, its second consecutive profit.

Debits were reduced by 18.4 per cent to HK\$940m last year, but additional debt of some HK\$1.3bn is being taken on this year to finance expansion. As with the MTR, the Government has no policy on privatising the KCR, but does not rule it out in the long term.

The KCR carried 114m passengers in 1986, an increase of 12.2 per cent on the previous year. Through trains to Guangzhou carried an additional 1.8m passengers, an 11 per cent increase on the previous year.

Freight carriage rocketed. Imports from China were up 31 per cent to 3.31m tonnes while outbound carriage was up 51 per cent to 890,000 tonnes.

Construction of the KCR's Light Rail Transit (LRT) system, which will link Yuen Long and Tuen Mun in the western New Territories, got underway in August last year. The HK\$1bn first phase is due to open late next year with 23km of tracks and 41 stops on seven routes.

Legislation preventing heavy buses from competing directly with the LRT was passed in the middle of last year. Bus operators were outraged, and the Kowloon Motor Bus Company's acrimony was such that it refused to provide feeder services for the system, causing the corporation to invest in a fleet of light buses to feed the LRT system.

The Government says studies showed that the area is viable

for only one mode of major public transport. District boards of the areas were consulted, and it was they who chose LRT, the Government says.

Government approval has already been granted for phase two of the LRT, which will add up to eight more routes in the early 1990s. The KCR has also studied extending the LRT to other urban areas. Research indicates that the Yuen Long to Tai Po route would be the most likely of four possible extensions.

Mr Peter Quick, KCR managing director, says an LRT extension to an urban area "is a project for the mid-1990s."

KCR projections show the China freight market growing fourfold to more than 12.6m tonnes by 2000.

The Government recently decided to allocate only 18 hectares to the KCR for freight terminal expansion, arguing that this would be sufficient to meet demand up to the late 1990s. A Government statement said: "It was considered that freight facilities in the long-term should be located elsewhere in providing space to facilitate urban redevelopment."

Kevin Hamlin

Construction

Japanese gain market share

Public sector contracts

Construction projects	1983	1984	1985	1986
Value of work (HK\$m)	5,576	6,802	5,821	7,253
Overseas companies' share (%)	29	39	42	42
Domestic companies' share (%)	71	57	58	52
Joint ventures share (%)	—	4	—	6

Source: Construction Industry Association



Completion of MTR projects means that contractors are now facing fiercer competition for construction jobs, particularly from the Japanese.

worth less than HK\$100m in the case of civil engineering contracts and HK\$200m in the case of building contracts.

Were the government to accede to this request it would risk being accused of introducing a protectionist policy that could undermine the free-trade stance it always takes in international negotiations with bodies such as the General Agreement on Tariffs and Trade (GATT).

So jealous is the Government of its image as a free trader that it has not agreed to the industry's request. Talks are continuing about the possibility of a

change in the limit of contract size below which foreign contractors may not bid. But if any change is agreed it is unlikely to be as generous as that sought by the industry.

At present, the limit is set at HK\$15m. Now attention is switching to the possibility of action against predatory pricing. Not only would this seem much less overtly protectionist as a response, it could also help the government from being caught out with extra charges once it has accepted an unrealistically low bid from a foreign contractor.

The traditional free market

approach of the Hong Kong government could of course dictate a solution which says quite simply that if local companies cannot afford to stay in the market, they must leave to make room for cheaper, more efficient concerns. Given the size of the local industry that is, however, a policy that would be hard to apply.

Mr Tso of Paul Y says he personally prefers another solution which would be for the government to give preference to local firms when awarding contracts providing they were within 5 per cent of the best price bid by foreign companies. That is the solution practised by Singapore, but as far as Hong Kong is concerned it would also smack of protectionism.

So what is actually the outlook for Hong Kong's local contractors without some help in combating foreign competition? According to Mr Tso, "there is plenty of work around, but how can you compete against people who are prepared to suffer a loss?"

According to Mr Morris, civil engineering in Hong Kong was quick to atrophy after completion of the mass transit railway. Local companies took the view that "this would be followed by local builders so that the whole industry would have diminished a sub-contractor status."

Most international trade disputes actually have employment questions at their heart as domestic industries worry about the loss of jobs from unfair foreign competition. This is not, however, the case with the Hong Kong construction problem since Hong Kong immigration laws generally restrict the use of immigrant labour on building works. There is thus relatively little general public clamour for action to be taken against the foreign firms and this may make it harder for the local firms to win their case.

Ironically, for a free market, capitalist economy like Hong Kong, labour is protected, says Mr Tso, but owners are not.

Peter Montagnon

Group of 71: more sanguine about a Peking takeover

ONE OF the many ironic elements in the Hong Kong scene before the change of sovereignty in 1997 is the stance taken by some sections of Hong Kong society. To the outsider, for example, the big businessmen, young entrepreneurs and upper middle class could have most to lose from the Peking takeover, and could therefore be expected to be the most hostile.

In fact, the most effective lobbying against any further introduction of democracy as a means of tying the hands of China is a group of businessmen known as the Group of 71.

The group was formed originally by members of the basic law consultative committee, a China-dominated body whose task is to draft the laws that will govern Hong Kong after 1997. The 57 felt that their views were not being suffi-

ciently represented in the media.

Sharing similar ideas and frustrated at being unable to get them across, the members got together to draft a common manifesto which appeared last August. The key lines were that Hong Kong's political system should be gradually made more open, and to allow nomination of outstanding people, thus providing a wider choice for voters.

They are thus in favour of gradual evolutionary changes in the political system that would take account of the publication

of the basic law in 1990 and its introduction in 1997, and of a limited degree of direct elections.

Influential

By 1997, when pro-direct election groups would like to see anything between 50 per cent and 100 per cent of the members of the Legislative Council (legco) elected directly, the group would like to see no more than 25 per cent directly elected.

A further 25 per cent would be selected from the district

boards and regional councils, the remainder chosen by functional constituencies—professional bodies and other organisations which now have seats on Legco.

The group is extremely wealthy and influential because of its close contacts with the government of Hong Kong and more recently with the authorities in Peking.

With its common interest in the maintenance of the status quo and in private enterprise, it is the group in Hong Kong that looks most like a fledgling political party. But its members

are firmly opposed to the introduction of party politics, believing that this would mean divisive confrontational politics and an end to the consensus that has served Hong Kong so well. Hostility to politicians pervades the views of the group.

A key element in the beliefs of the corporate leadership is that Hong Kong must not pose a threat to China, which regards the territory as a long term investment and a means, if handled properly, of luring Taiwan back into the family.

The group also believes that Hong Kong could act as a catalyst for economic and political developments on the mainland, provided no changes are made which would involve the introduction of political reforms by a colonial administration.

Richard Evans



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Securities

Stock market turnover at record level

"HONG KONG is like a tropical plant," said a contemplative banker, musing one afternoon last month in his office 30 storeys above the rain-drenched Chater Gardens. "If you dig about at the roots too much, it will just wither and die."

There has certainly been a tropical luxuriance about the territory's stock market in the last six months. As the Hang Seng index scrambled towards the 3,000 mark, the 680 active members of the Hong Kong Stock Exchange saw turnover swell to HK\$23.8bn in March—more than double the 1986 monthly average.

There has also been some frantic digging about at the market's regulatory base—with Mr Ray Astin, the Securities Commission's first chairman, taking centre stage as an advocate of criminal measures against insider trading.

But will hyperactivity by the territory's regulators kill off the local securities industry's spirit of free enterprise? Or is tighter regulation essential if Hong Kong is to shake off its image as a peripheral stock market easily prone to manipulation? Mr Ronald Li, who steps down at the end of this year as chairman of the Hong Kong Stock Exchange, has distinct reservations about what he sees as an excess of regulatory zeal.

He feels that complicated rules governing new Stock Exchange listings simply add to the fee income of merchant banks, accountants and lawyers. And he is distinctly lukewarm about the idea of criminalising insider trading—"I don't think insider trading is as bad here as in New York," he says.

But Mr Li seems to be swimming against the tide. Events in the last six months suggest that potent social and commercial forces—above all, the institutionalisation of savings and investment—are pushing Hong Kong towards the kind of regulation that operates in other leading financial centres.

In this intimate, village-like financial community—where personalities and personal rivalries count for more than they might in London or New York—the progress is likely to be piecemeal, but the trend seems clear.

In the last few weeks, for instance, a new British-style disclosure of shareholdings of 10 per cent and above in quoted companies, has gone to the territory's Legislative Council.

Since the beginning of the year, three issues besides this one have already helped to

crystallise debate. First, the Securities Commission found itself skimming with the Exchange over the apparent ease with which newcomers to the market could obtain a backdoor listing by reactivating shell companies.

Second, Jardine Matheson, Hong Kong's oldest trading company, triggered an investigation into the creation of two-tier company shares when it attempted to create a new class of cheap "B" shares with voting rights on a par with those of "A" shares. Designed to help protect Jardine from hostile takeover, the move aroused the wrath of institutional investors when it became clear that other Hong Kong companies planned to follow suit.

"B share issues just give companies cheap votes," says local fund manager. "We're debasing Hong Kong as a financial centre, if we allow them."

That issue—along with the third question, of whether or not to criminalise insider trading—has now gone to the Government's standing committee on company law reform, which will probably not report before the autumn.

Why is there such pressure for higher-profile regulations? Mr Phillip Thorpe, assistant Securities Commissioner, says: "The secret lies in the growing volume of business done by the gweilo (US, British or European) brokers and fund managers."

As the gweillos become more powerful, so they flex their muscles in lobbying for the kind of environment they are used to—which will mean more disclosure by companies, and a tougher stance against market abuses.

So, two years ago, Mr Peter Pearson of Fidelity, the US-based fund management group, became the founder chairman of a new Hong Kong Unit Trust Association. Recently, members of the HKUTA have come down strongly against permitting "B" share issues. And Mr Pearson, though no longer the association's chairman, has publicly backed Mr Astin's stance over insider trading.

Why are the gweilo institutions becoming more powerful? One reason may be that their traditional role, as managers of overseas investors' Hong Kong portfolios, has been changing fast in favour of a bigger role in managing the territory's own savings.

Pooled investments like life assurance and unit trusts, may be "still embryonic" as a feature of the local savings market, according to Mr Alan Smith, chief executive of Jardine Fleming, Hong Kong's biggest merchant bank and fund manager. But the last six months in particular have seen some spectacular growth in unit trust sales to local people.

Gartmore, the British unit trust group forecast last November that local Chinese investors would pour US\$200,000 each week into its main Hong Kong trusts. The actual figure has turned out to be more like US\$4m.

Traditionally, many local Chinese people have fought shy of pooled investments. And as Fidelity's Mr Pearson points out, Hong Kong was the base for Mr Bernie Cornfeld's notorious IOS group, whose collapse in the early 1970s left many locals wary of fund managers.

The key to the change in attitudes may lie in the rise of a savings-conscious managerial middle class in Hong Kong with fewer cultural inhibitions about their investment decisions.

If so, then another key indicator has been the swift growth of local pension funds—at a time when the ageing of a population has stirred up political controversy about the need to step retirement provision.

Mr Stuart Leckie of Wyatt, the consulting actuaries, believes Hong Kong pension fund assets now total HK\$50bn and are doubling every three years—a faster growth rate than anywhere else in the world. That is only partly due to big capital

gains in rising world stock markets. What is more, the number of Inland Revenue-approved company retirement schemes is soaring by about 60 a month, as the workforce's expectations rise.

It adds up to a series of pressures gradually chipping away at the old image of Hong Kong's stock market as a lightly-regulated jungle dominated by a relatively small number of local millionaire private investors.

Their day is obviously far from over—but as 1987 approaches, Hong Kong seems to be undergoing the kind of overwhelming institutionalisation of investment that happened in Britain in the 1960s and 1970s.

Nick Bunker

Foreign banks

Brighter future after four dark years

THERE SHOULD be no greater sign of bankers' confidence in Hong Kong than the fact that Mr David Nendick, its Monetary Affairs secretary, cannot, off-hand, recall the names of all the new foreign banks that have set up shop in the last year.

In 1986 five Japanese and two European banks took out licences there for the first time. That ought to be testimony enough to the healthy prospects for an industry which has climbed out of four dark years and into a brighter world of rising loan demand from consumers, from exporters and from private sector capital spending.

Yet, with 22 US banks, 37 European and 25 from Japan now holding full Hong Kong banking licences, the territory has won a reputation for being severely over-banked.

It would be wrong to forecast a dramatic shake-out in Hong Kong. Robert Fell, the banking commissioner, has long predicted a steady rationalisation of the industry—which the Government is trying to manage as smoothly as it can by assisting necessary mergers and acquisitions.

The competitive pressures driving this process have been most visible in retail banking and have already led to the well-publicised decisions by Barclays and Bank of America to cut back their retail operations.

It has manifested itself not only in pressure on interest rate margins—though most observers feel that this has been less marked in 1987 than in 1986.

It has also worked through, for instance, into higher staff costs, with one banker admitting recently that he has been paying \$2,000 a month to key young women sales staff in his branches. Even so, people "are being lured away for 100 per cent premiums," he says.

But most observers agree that the banks with most to lose here are small local operations, maybe with 10 or 20 branches, which cannot survive the intensifying retail banking competition but have nowhere else to go.

For the rest—especially the foreign banks—the economic indicators still look good. Says

Mr Carlton Poon, head of research at stockbroker James Capel (Far East): "There is enough trade finance here to ensure a thriving bank industry."

His analysts forecast trade financing will grow by 25 per cent this year, against 19 per cent in 1986—with mortgage demand set to expand by 40 per cent, and total advances by about 20 per cent this year and next.

And Mr Fumio Umemoto at the Bank of Tokyo likes to gesture towards Kowloon and remind visitors about the new cross-harbour tunnel that, along with the Hung Hom Bay reclamation, could generate some HK\$10.5bn in loan demand.

His compatriots—who now represent by far the biggest single group of foreign lenders in Hong Kong—have also been picking up the lion's share of business from the inflow of Japanese manufacturers to the territory, and have "huge lines of credit" out in China, according to one leading British banker.

Yet, within this bright picture there are areas of darkness. They concern the growth potential in individual sectors where foreign banks may be hoping to specialise: merchant banking and corporate finance, capital markets and—most of all—China loans and regional syndicated loan business.

Mr Nendick, for one, has been scratching his head trying to work out what some foreign banks are doing in Hong Kong. His slightly baffled conclusion: "When you look at international banks here, you can't see any definite pattern."

What is evident is some very extensive jockeying for position. Take Bank of America, for instance.

It shed 165 staff at the end of 1986. It has also been reconstructing its loan book, de-emphasising the jewellery, property and shipping sector, and focusing more on importers and exporters in sectors such as toys and electronics. But much of its efforts are aimed at adding value to its loans—by cross-selling its corporate clients' financial services such as foreign

exchange. In the People's Republic of China, it has chosen to specialise also in selling financial services—such as travellers' cheques—in links with PRC-based banks. "I see almost an explosion of financial institutions in China. That's what we're targeting," says Mr Robert Hunt, Bank of America's regional chief executive.

But this kind of repositioning is being played out against a background of rising costs—in certain key specialities, staff costs now are nearly as great as in London or New York," says Mr Hunt—and this pickings for newcomers in some specialised fields.

In merchant banking, it will be hard to break the grip established by the leaders—Jardine Fleming, Warley, Schroder—with their long-standing ties to the biggest local trading companies.

One indicator of the problems of entering the field is the control these three banks wield over local pension fund management. Jardine manages 35 of the 150 pension funds surveyed each year by Wyatt, the consulting actuaries. Schroders Asia manages 30, and Warley 27. Hill Samuel, Kleinwort Greaveson, Morgan Grenfell and N. M. Rothschild only manage 13 between them.

And in two other areas—syndicated loans, and capital market operations—the opportunities are still constrained. South Korea, once the customer for 60 per cent of the region's syndicated loans, has shrunk back its borrowing as it negotiates prepayment of earlier loans. The PRC has a long way to go before it can take its place, though Malaysia and Indonesia have been returning to the market.

In the Hong Kong dollar capital markets too, the last six months have seen an end to the long spurt of growth that came with falling interest rates. A combination of low liquidity—because of a weak local investor base—and an unstable US dollar have left bankers with a very thin secondary market, and traders with plenty of time on their hands.

Nick Bunker



Mr William Purves: treading gently

Group profits up for the Hong Kong Bank

Ready for expansion

ONE MORNING recently, Mr William Purves picked up his newspaper, read a story about Merrill Lynch, the US securities house, and did not like what he saw. Traders at Merrill had lost a fortune in the bond market—and Mr Purves, chairman of the Hong Kong and Shanghai Banking Corporation, was quick to draw his own conclusions.

"Capital markets," he says. "It's sad that the Hong Kong Bank hasn't got its act together. What's wrong with that? I don't want to open the paper and find that we've lost \$275m."

Mr Purves's reaction was revealing about the philosophy of the man who took over the chair from Sir Michael Sandberg last October.

There are several sources of his hostility to any headlong rush by banks into "securitisation"—the replacement of loan portfolios by packages of tradeable securities.

One of them is a conservative banker's dislike of developments which could erode traditional relationships between banks and long-standing corporate clients.

"Corporate treasurers don't want to ring one day and find that their loans have been sold off to Tom, Dick and Harry," says Mr Purves. "I may be swimming against the tide, but as a

matter of principle we don't package up our loans and sell them off."

This sounds like what one might expect from a Border Scot who at 56 has spent 33 years working his way to the top job at the Hong Kong Bank. He joined it—without a university degree—in 1954, after an apprenticeship with the National Bank of Scotland, and service in the Korean War (where, as an infantry officer, he won the British

Like other commercial banks, Hong Kong Bank has difficulty finding suitable opportunities for growth by acquisition at a reasonable price.

Army's second highest award for bravery).

On a deeper level however, the Hong Kong Bank's situation is that in 1986 it finally emerged from the shadow of three years of flat profits growth due partly to its bad losses from shipping and property loans.

Now—with group profits up 12 per cent to HK\$5bn last year, with loan demand buoyant in Hong Kong, and with the proceeds of a HK\$3.3bn rights issue gathered in—it looks ready for fresh expansion overseas.

But like other commercial banks of its size, the Hong Kong Bank is running up against the difficulty of finding suitable opportunities for growth by acquisition at a reasonable price. With its status as a key part of the Hong Kong establishment—where Mr Purves, for instance, is a member of the territory's Executive Council—it also has to tread gently to calm nerves about its intentions after 1997.

And, thirdly, the bank's bad loss experiences seem to have left Mr Purves very wary of expansion—into fields like securitisation for one—which could create new unknown risks.

"The world has got faster. Morality has slipped," he says. "We shall grow when the opportunities arise—but that should not be seen as pulling out of Hong Kong."

Where will he grow? In US retail banking, the group's subsidiary Marine Midland is poised to take advantage of any further liberalisation of banking regulations.

"I don't see the return on assets as being particularly attractive in Europe," Mr Purves says. "The UK looks like the best place to have a bank these days."

Target sought

If so, then the Hong Kong Bank—which was rebuffed by the British authorities when it went after the Royal Bank of Scotland in April 1981—has the same problem as the TSB Group: finding a target.

With hindsight gleaned from the experience over the Royal Bank, Mr Purves says: "I don't see us acquiring something in the UK except on an agreed, friendly basis."

That leaves opportunism—a phrase which Mr Purves is quite happy to use to describe the rights issue—as the word for the Hong Kong Bank's future strategy. The question is whether in an over-banked world there are enough opportunities waiting to be had.

Nick Bunker

Emphasis on new banking technology

A FEW yards from the chairman's office in the Hong Kong Bank's new headquarters is a room lined with carpet to ceiling with hundreds of ring binders.

They contain the specifications for the bank's information technology systems. Their proximity to the chairman's suite is one small sign of the importance the Hong Kong Bank has given to technology, which it makes a point of developing in-house.

With 5,300 computer terminals installed in Hong Kong—including 480 automated teller machines and 1,817 teller terminals—the bank has used

its home territory as a proving ground for systems later installed overseas.

Mr John Strickland, its general manager (services), says 454 staff in the recently-formed Banking Services Department are now involved in long-term systems development work.

"Many banks have twice that number—and Citicorp may have five times as many," says Mr Strickland, but he can list perhaps half-a-dozen special advantages which the bank has gained from being based in Hong Kong.

"There's a unique concentration of banking activity that makes a high degree of

automation viable," he says. There is also a strong work ethic and a thirst for knowledge which makes local people suited to systems development, he argues.

As far back as the early 1970s, the Hong Kong Bank laid one of the foundations for its long-range systems development when consultants from Peat Marwick made a report which led to the introduction of a Management Information System (MIS).

Now encompassing 600 video display units and 159 personal computers, the MIS contains, for instance, forecasting and cost control information, and

detailed information of business activity, for each of the group's 385 branches in the territory. It is "still the envy" of competitors, says Mr Strickland. "We are migrating it round the world."

But the Hong Kong Bank's current talking point is Hexagon—an electronic banking delivery system tailored for big corporate clients and allowing them swift access to banking services. Carried on the bank's own Global Data Network, it is now available to 500 clients in 29 countries.

"It's a very powerful tool in the hands of corporate treasurers," says Mr Strickland.

Nick Bunker

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Hong Kong works



HONG KONG 12

Banking supervision

New tasks are pending

AS MR ROBERT FELL prepares to leave his post as Hong Kong's Banking Commissioner this summer, he leaves behind him a scene of relative tranquillity.

"There isn't any problem bank here now," he says — after three years of sometimes arduous activity when he had to eradicate the root causes behind the collapse and rescue of seven banks since the local stock and property markets crashed in 1982-83.

His key task was to deal with what he calls a "systemic problem" — a "virus" of sometimes criminal activity which was threatening to become endemic, and arose from banks over-exposing themselves to loans to companies linked to their directors.

Yet now — in a local banking sector that has stabilised dramatically since early 1986, as loan demand has risen — some new tasks are looming.

Many of them are encapsulated in a thick sheaf of discussion papers published by Mr Fell late last month at about the same time that Mr Tony Nicolle, his successor, arrived from the Bank of England.

The common thread is that, after three years of crisis management in Hong Kong, the new banking commissioner has to turn to the task of actively promoting the territory's status as an international financial centre.

That could well mean more positive intervention by the authorities. "We want to manage change, rather than just let change happen according to the mood of the moment," says Mr Nicolle's political superior Mr David Nendick, the Monetary Affairs Secretary.

The challenge — which Mr Nendick freely acknowledges — is to do that without prejudicing the freedom for markets to grow along their own chosen paths. So, for example, the discussion papers have been couched deliberately in a form that invites wide consultation. They set out five options for a possible reform of the territory's three tier system of supervision which divides lenders into 154 licensed banks, 35 licensed deposit-taking companies and 248 registered deposit takers.

That may be necessary because some institutions have been finding that their business sits awkwardly inside the old categories at a time when global trends like securitisation of loans have been breaking down old boundaries between banks and other institutions.

The Hong Kong Deposit-Taking Companies Association has been urging the creation of new "limited service" banks. These could push into securities trad-

ing, uphammered by old rules designed to protect individual private depositors.

So — with the local banking scene now purged of criminality, one hopes — two sets of factors are setting Mr Nicolle's agenda.

First, there are external verities: such as the time-variant of international banking supervisory regime, symbolised by the US and British attempts to standardise their capital adequacy regimes.

Under the 1986 Banking Ordinance, a new set of capital requirements is due to come into force in September 1988 — and there is room for controversy here at a time when perhaps 20 to 25 registered DTGs could have a problem with the ratios Mr Fell has proposed.

Also into this category of external factors fall tax issues. In May, it emerged that the Japan National Tax Agency was proposing to bring overseas subsidiaries of Japanese banks into its tax net — a move which in theory could impact severely on the Hong Kong-registered Japanese banks, assets of which had swollen by last December to a huge HK\$500bn.

Mr Nendick has been unwilling to comment — because only sketchy information about the proposals has so far reached Hong Kong. "I think we're not quite as worried as some Japanese banks think we ought to be," he says.

The second set of factors is internal to Hong Kong. Mr Fell has been saying for some time that the territory is heading through a process of rationalisation in the banking industry, as sharper competition squeezes out weaker middle-ranking banks oriented towards retail activities.

The Government had just two mechanisms — apart from old-fashioned moral persuasion — which it can use if it wants to smooth out that process to maintain confidence in the system.

First, it has the kind of banking ordinance powers which allowed it, for instance, to put Jardine Fleming, the merchant bank, into the job of managing the troubled Union Bank in 1986.

Second, it has the old Hong Kong Association of Banks interest rate agreement, a legalised rate cartel set up in the 1950s to protect the deposit base of smaller banks. Commercial, competitive factors are already undermining it — a process which Mr Nendick expects to continue. "I am happy to see gradual erosion — but I don't want to see it abolished," he says.



A section of the foreign exchange dealing room of the Hongkong and Shanghai Bank.

'The Sister Banks'

Deposits are soaring

FOR a "newcomer," Mr T. P. Shu has been in Hong Kong a long time. He took over as chief general manager of the Nanyang Commercial Bank in 1985, but his career in the territory dates back to 1950, when as a young man of 20 he came here from his native Shanghai.

Mr Shu is one of the men who run the "sister banks" — the 13 Hong Kong banks owned by the People's Republic of China. Ironically, the impression has grown up that they are relatively recent entrants to the local scene — when, in fact, Mr Shu and his colleagues have mostly been there far longer than the average international banker.

That perception of their relative newness has arisen largely from the dash for growth in the last few years that has seen the sister banks (or "Zhongguo Jituan" in Chinese) lift their share of the territory's total deposit base to about 18 per cent.

In 1986, their deposits soared by 50 per cent — double the industry's average growth rate — to HK\$102bn, according to estimates by Mr Henry Kwong, banking analyst with James Capel (Far East), the stockbroker.

Not surprisingly, bankers like Mr Shu tend to play down the extent to which they have built their business in Hong Kong. "We've come a long way, but not as far as the newspapers like to make out. We've still got a long way to go," he says.

Similarly, Mr Huang Deyan of the regional office of the PRC-owned Bank of China — which oversees the sister banks on Peking's behalf — says: "We do not seek a monopoly in Hong Kong."

He insists that China is firmly committed to helping maintain the territory as an international financial centre long after 1997.

"Hong Kong is a very small place, and it has limited value in itself," he says. "But Hong Kong is a bridge to the mainland."

That does not mean, he says, that China necessarily sees Hong Kong as ultimately the mainland's financial capital — standing in the same relation to Peking as New York stands to Washington.

"In the socialist system, we have many centres — Shanghai, Tianjin, Guangzhou. Perhaps Hong Kong is another one," he says.

Nevertheless, the sister banks have been through some big changes in the eight years of China's open door policies. While their return on assets remains low by international standards (a comparison which the Bank of China thinks is rather unfair) Western bankers who come into contact with the sister bank's executives notice a new competitive edge even between the banks within the group.

One sign of this may be that the Bank of China no longer expects banks like Nanyang to direct their lending to finance China trade or Chinese development projects to specific, allocated areas.

Nanyang, for instance, had an initial responsibility to help arrange finance for venture in two cities in the north of China — but, recently, the biggest syndicated loan which it has helped to manage was for a \$900m facility for a float glass factory in one of the special economic zones between Hong Kong and Guangzhou.

Nick Bunker



Dennis Ting, right, chairman of Kader Industrial Co., checks toy production on the factory floor.

Toy production

World's leading exporter

SAM MUN TSAI is little more than a line of waterfront shanties in Hong Kong's new territories close to the border with China.

On the jetties, fishermen grind fishmeal. Behind them, Hakka housewives bend over black woks full of steaming noodles. From inside the shanties comes a clatter not unlike the shuffling of mahjong tiles. In many villages, the clatter might indeed have been mahjong tiles, but in Sam Mun Tsai, it comes from dozens of table-top pressing machines punching out sections of a toy car-racing track for Scalextric sets.

Hong Kong's toy industry is a small-scale affair. The statistics say that Hong Kong has almost 2,200 toy factories, employing 53,000 people. But only 10 of those factories employ more than 500 people, and about 1,700 have less than 20 — the heartland of Hong Kong's *laissez-faire* economy.

From this modest foundation, Hong Kong counts itself the world's leading toy exporter. Sales in 1986 amounted to HK\$1.8bn. It is the territory's fourth most important export industry, behind clothing, electronics and watches, and accounts for 7.5 per cent of all exports.

At the opposite end of the spectrum from villagers punching out pieces of racing track for a few cents a piece are manufacturing giants such as Universal Matchbox, which rescued Britain's Lesney Group in 1983, is listed on the New York Stock Exchange, and has annual sales of more than US\$250m.

Also, substantial are groups such as Kader, which make Cabbage Patch dolls for Coleco of the US, and Applied Electronics, which makes electronic toys for US groups ranging from Fisher Price to Mattel and Kenner Parker.

Without any substantial commitment to research and

development, these groups have prospered by virtue of their flexibility and speed in responding to the new market trends or needs. In solitary contrast to these market leaders is Playmates Holdings, which bucked the trend of producing for major US names and set about building a niche in the US market for dolls marketed under its own "Playmates" name.

Playmates' experience provides a model for the riskiness of trying to "go it alone." Until the middle of 1986, the company was on every stockbroker's "avoid" list. Substantial funds had been ploughed into "Cricket," a chatterbox doll that was to be launched on the US market for the 1986 Christmas season. If the doll was a flop, then the impact on group profits would be direct and dramatic.

As good fortune would have it, Cricket is today the playmate of hundreds of thousands of children in the US. Such is its success that it ranked in February as the 7th most popular toy in the US.

Sales of Cricket now account for 70 per cent of company sales. The unhappy consequences of this success is that Playmates is more than ever a one-product, one-market company. The share price has rallied from the depths of January 1986, but is still a stock that most brokers handle with caution.

Newcomer

This autumn, Cricket will have a playmate of her own — a freckled young man called Corky. For Playmates Holdings, much rests on the fortunes of the Cricket-Corky partnership. While the emergence of Corky will not dilute the group's dependence on the US, where it sold about 85 per cent of its major manufacturing base, it will at least have a second product to rest hopes on.

Along with Corky comes an even more sophisticated play-

mate, to be called JUL. She will cost around US\$150, and is intended to captivate girls of up to 12. The Chan family that founded the group in 1984 is also diversifying into cheaper educational toys, and radio-controlled cars.

Without the giant partners to provide a marketing infrastructure in the US, Playmates has had to build its own. It has more than 60 staff in the US, working on product research and design and on marketing.

In a bid to dilute dependence on the US, the group has just sealed a partnership to market Cricket in Japan. Hopes rest on the possibility that Japanese parents will encourage their children to use Cricket — with her wide range of interchangeable conversation tapes — to boost their English language skills.

Similar opportunities lie ahead for the likes of Applied Electronics and Kader, which are making talking plush animals like Teddy Ruxpin for Worlds of Wonder, and Smarty Bear for Coleco, but there are few signs as yet that inroads have been made into Japan.

In another respect, Playmates is typical of other toy manufacturers in Hong Kong, as it has expanded, so a new factory has been built in mainland China close to Hong Kong's border. Labour costs over the border can be as little as one-quarter of those in Hong Kong, and workers can be laid off more easily during slack production seasons.

This can be less inequitable than first might appear to be the case, since workers own farm land, and are keen to take time off during harvest times.

David Yeh, who heads Universal Matchbox, says Hong Kong is now too expensive to act as a major manufacturing base. Four of the company's six factories are in China, with a fifth in the Portuguese territory of Macao.

Raymond Hung's Applied Electronics has also moved to China, with just 350 of a 6,000 workforce based in Hong Kong. Dennis Ting, head of Kader, has six of his factories on the mainland.

This manufacturing shift — a good example of the free market style of local entrepreneurs — is illustrated clearly by trade statistics, in which China has emerged over the past three years to become Hong Kong's second most important export market. Almost all of the sales — which amounted to HK\$1.1bn last year — were toy parts and semi-manufactured toys. Hong Kong's re-exports of toys originating in China amounted to HK\$1.2bn.

There is no accurate estimate of the number of workers employed in mainland China by Hong Kong manufacturers, but it runs into tens of thousands. While there is full employment in Hong Kong itself, and while local wage rates continue to be forced up because of competition between manufacturers for staff, companies are likely to turn with increasing frequency to partners in China to assemble products under joint venture, or processing agreements.

For these manufacturers, and an increasing number in the textiles and electronics sectors, the transfer of sovereignty to China in 1997 is no longer a matter of any great consequence. Their corporate fate is not only dependent on the fate of the likes of Teddy Ruxpin, Barbie Dolls and Cricket and Corky, but is already inseparable from that of the mainland.

For stockbrokers and prospective investors, this makes it almost impossible to sit comfortably with such companies. But in the meanwhile, with fingers and toes crossed, Hong Kong's toy exporters appear to be going through a period of rapid growth.

David Dodwell

Trade and protectionism

Worries still persist

Foreign trade				Domestic Exports			
Values in HK\$bn				Major markets, 1986 (HK\$bn) Share (%)			
	1984	1985	1986		1986	(HK\$bn)	Share (%)
Domestic exports	137.9	129.9	154.0	US	64.2	41.7	
Re-exports	83.5	105.3	122.5	China	18.0	11.7	
Imports	223.3	231.4	278.0	West Germany	11.0	7.1	
Trade balance	-1.9	+3.7	+0.6	UK	9.9	6.4	
				Japan	6.2	4.0	

Source: Trade Development Council

Source: Trade Development Council

cerned, they have basically won. As a result there is now somewhat less worry about the impact of US protectionism on the territory's economy than there was a year ago.

Moreover, according to Mr Hamish Macleod, Trade and Industry Secretary, the tone of the political debate on trade in Washington has also improved. Though he says that Hong Kong can never be safe from protectionism, the language and substance of the debate is a bit more rational.

Congress was showing more of an inclination to work with the Administration which meant there was a good chance that the more extreme legislative proposals would be watered down.

However, he made a distinction between the omnibus trade bill which Congress is expected to pass this year and specific legislation on textile and footwear imports which passed the House of Representatives, albeit by a narrow majority at the end of April.

Hong Kong should be able to live with the omnibus bill that is now emerging, he said, although the small print might contain clauses making it easier for US firms to lodge dumping suits which would disrupt trade even if they were later lost.

He was, however, much less sanguine about the textiles legislation as there was a genuine risk that it would be passed. Where textiles were concerned, Congress was "not talking about free trade or fair trade. They're talking about protecting their share of the market."

The problem for Hong Kong is that its relatively small size and the openness of its economy leaves it with little bargaining power in the face of US pressure on trade. Unlike South

Korea and Taiwan which can deflect such pressure by agreeing to open up their service sectors, Hong Kong has little or nothing to give away. All it can rely on is a jealously guarded reputation for practicing free trade.

For the time being it appears to have persuaded the US that its currency policy is a political necessity that should not be changed. The exchange rate has been linked since October 1983 to the dollar, and worries about Hong Kong's future relations with China led to a massive outflow of funds from the territory and an inflationary plunge in the value of the currency. The peg is generally regarded in Hong Kong as a prerequisite for economic and social stability.

Meanwhile, Hong Kong continues to hope that the US will maintain its relatively benign attitude to Hong Kong. "They need a carrot as well as a stick," says Mr Macleod. Were Washington to target Hong Kong more aggressively on trade, it could end up undermining its efforts to open up other Asian markets. Countries like Taiwan and South Korea would conclude that there was little point in opening up their own markets if a free market territory like Hong Kong was as susceptible to US pressure on trade as they were themselves.

In fact one outcome of the latest round of bilateral trade talks with the US in April was a commitment by Hong Kong to work with the US in helping open up other markets in the region.

Although it is not clear how this will work in practice, Mr Malcolm Baldrige, US Commerce Secretary, gave Hong Kong a pat on the back in a speech to business during a recent visit.

"Hong Kong's lack of tariff and non-tariff barriers and its stringent intellectual property protection laws serve as an example to China and the other countries of the region," he said. "The strong trade links between Hong Kong and other Asian countries, most notably Japan, mesh well with our own."

There is no escaping the fact, however, that Hong Kong remains vulnerable to protectionist sentiment in the US, particularly in the textile area. Hong Kong's exports to the US make up over 40 per cent of its total exports and a similar proportion of them are textiles.

Though China is now Hong Kong's largest trading partner in terms of total trade with a share of just over 25 per cent last year, the rapid growth in business over the past few years owes much to the fact that Hong Kong manufacturers are increasingly using plant in China for low cost assembly work. This is welcome as it provides some relief from wage pressure within the territory itself and signals a gradual integration of Hong Kong's economy with that of southern China, but will take a long time before Chinese business can offset Hong Kong's continuing dependence on the US.

"Ultimately it might," says Mr Jack So, executive director of the Trade Development Council. "But China is not a substantial end market. It cut down dramatically on consumer spending about two years ago and we can't count on China to spend that extra billion dollars a year."

Similarly, though exports to Europe and Japan are now growing strongly in the wake of the declining dollar, they do not yet make up a sufficient share of the total to alleviate dependence on the US.

Last year when the US reviewed its generalised system of preferences (GSP) Hong Kong came out well compared with its Asian neighbours, winning a larger volume of concessions than before because of its free-trade approach.

But, says Mr So, "we are cautious that this may not be the continuing trend." Pointing to the new textile bill, he adds: "If that passes it would cause a lot of harm. That is our single greatest worry."

Peter Montagnon

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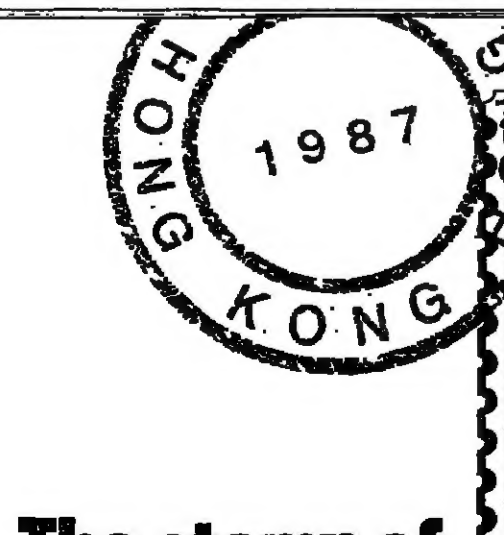
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HONG KONG 13

Textile industry

Straining at the seams

TO SAY that Hong Kong's textile industry is straining at the seams might be an understatement, but it is one way of describing a sector that is working flat out with booming exports and record profits.

Textiles have always been a mainstay of the Hong Kong economy and, like other sectors, it has been helped over the past 18 months by the relative weakness of the Hong Kong dollar against other currencies. Equally, if not more important, the territory's textile manufacturers have successfully pushed through an image of quality in international markets which has allowed them to upgrade their production and raise the value-added content to their production in a climate of continuing quota restrictions, especially on sales to the US.

So buoyant is the mood in the textiles market that industry executives cannot bring themselves even to worry too seriously about the prospect of legislation now under scrutiny in the US Congress to limit textile imports still further. Though they are aware of the havoc the legislation would cause for Hong Kong and its economy, they simply do not think the Bill will pass.

"The risk is certainly there, but the possibility of passage is not really all that great," says Ms Eleanor Wong, of Hongkong Knitwear.

In the short run textile manu-

facturers are concerned about the shortage of labour that has developed in Hong Kong's booming economy. Though wages are rising fairly rapidly which is putting pressure on costs, many textile factories still have empty places for which they simply cannot find employees.

Nor is it as easy for textile manufacturers to shift parts of the production process into lower cost plants in neighbouring Southern China as it is for their counterparts in other industries.

Since the new Multi-Fibre Agreement was struck last year the US has imposed much more stringent rules on local content for textile products. Whereas in the past it was possible for manufacturers of sweaters to import knitted panels from China and simply stitch them together in Hong Kong this process is now increasingly carried out within the territory itself after a restructuring which saw investment by the industry surge by 170 per cent last year and the widespread introduction of automated knitting machinery into Hong Kong. A measure of the degree to which Hong Kong textile manufacturers are now pushing up against their volume limits on textile exports to the US is the record price of quotas on the secondary market. Though government officials say that the quota market is an imperfect

one subject to quite large distortions and fluctuations, companies say they are spending more than ever before on quotas.

Novel Enterprises, one of the leading manufacturers, says it expects to spend HK\$15m on quotas this year, 50 per cent more than in 1982. These high prices do not worry manufacturers particularly, however, as they have generally moved into up-market lines where the cost of the quota can quite easily be absorbed. Mr Ira Kaye, managing director of Lark International, says Hong Kong garment manufacturers are now in the upper 30 per cent of the price range for clothing sold in the US.

But to expand business further textile manufacturers are having to look in three different directions. The first is a continuation of the upgrading process with the promotion of designs created by local designers; the second is the development of new markets in countries like Japan where there are no textile quotas, and the third is the establishment of production facilities abroad.

"If you want to trade up," says Mr Kenneth Fung of Fung Brothers, "there's a limit to what you can do. If you are not designing your own goods, you're mainly a so-called contractor, making goods according to specification." Hong Kong has begun to nur-

ture its own designers, but this is inevitably a slow process. Mr Kaye says: "If there were two garments on the rack and one said Christian Dior and the other Angela Lam, people would buy Christian Dior even though the other was a better garment."

Meanwhile textile exporters are taking heart from a surge of exports to Japan, which they claim testifies to Hong Kong's growing reputation for quality. Also many are looking to carefully chosen sites abroad to expand volume.

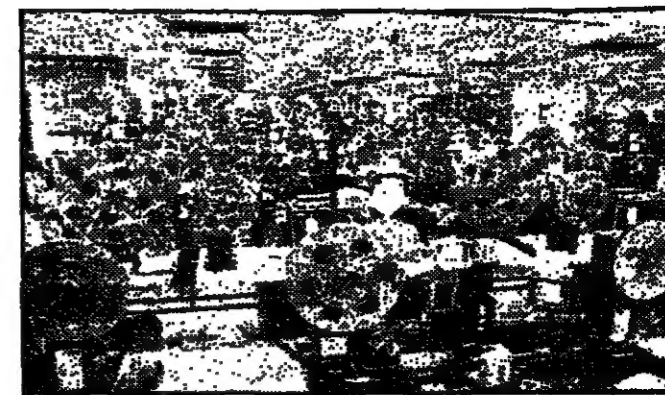
Novel Enterprises manufactures in Mauritius where there is a local Chinese community and which has preferential access to European markets because of the Lome Convention. Mr Fung has plans on lowlands in Thailand as well as Panama and Ireland for the US and European markets respectively.

Non the less there is no escaping the shadow of US legislation which hangs over the industry and about which the Government remains particularly worried. Warning that a Textiles Bill would "stiffen" the Uruguay round of multilateral trade and industry, says "there is still a real danger of textile legislation. We never underestimate the pressure of the textile lobby in the US. It's often said to be number two to the gun lobby."

Peter Montagnon

Electronics

Competition intensifies



Tommy Zau's Electronic Devices plant, making video equipment—but is this sufficiently 'high tech' to compete with advanced products from other countries?

THE POLICY of non-intervention in Hong Kong's economy means that it has never had an industrial policy as such. However, in the increasingly competitive and technologically advanced world of electronics this is an approach that is beginning to be questioned.

The shift in thinking begins with the realisation that Hong Kong will always need a strong manufacturing base to provide employment for its 6m people and goes on to conclude that the territory would be in danger of losing its competitive edge to countries such as South Korea and Taiwan if it were unable to upgrade its industrial processing and turn out more original, technologically advanced goods. The Government has concluded that it must pay more attention to the infrastructure of the economy if this process is to succeed.

The days have long since gone when Hong Kong manufacturers could switch overnight from wigs to plastic flowers if the bottom fell out of the wig market. Hong Kong's involvement in electronics means that it must keep up with the pace of world technological advance. This is no easy task for an industry which still consists largely of small companies doing assembly work for overseas manufacturers. By world standards, Hong Kong's electronics industry is still unsophisticated. Companies spend only a small proportion of their turnover on research and development; very few are producing original products; and most still aim for a short term return, while ignoring the need for a medium term product development strategy.

While Taiwan and South Korea have been putting government money into developing their industries, Hong Kong has lagged behind. "We haven't got the research and development because we haven't got defence, aerospace, capital-intensive industries," says Mr K. Y. Yeung, Director of Industry. Unless it can keep pace with technological advance, Hong Kong's electronics industry could suffer a serious loss of market share in the medium term. Its products would be too unsophisticated to be produced economically (wage levels in the territory are already the second highest in Asia after Japan).

Yet this still leaves the Government in something of a dilemma. Because it is wedded to the concept of a free market, it is reluctant to intervene directly in the industry. Subsidisation which favours one industrial sector over another and distorts investment decisions is still anathema to Hong Kong's planners. What they are trying to do instead is to improve the infrastructure so that the electronics industry can flourish. Basically, this means paying more attention to the education and training of electronics engineers, providing advice through the Government's Productivity Council and other back-up services such as information and technical advice on foreign product standards through its Standards and Calibration Laboratory, and promoting inward foreign investment so as to gain technology transfer.

By and large, businessmen seem reasonably happy with this degree of involvement. Mr Dennis Ting, Chairman of the Federation of Hong Kong Industries, says: "As manufacturers, we would develop whatever the market would accept rather than have anybody tell us what to do."

One success story for this policy has already been an investment in technology transfer. Helped by a surge of interest in Hong Kong by Japanese companies looking for a cheaper manufacturing base, foreign investment has been booming. Last year the value of projects for which the industry department provided direct assistance doubled to HK\$515m, and they included the establishment by Motorola of an ASIC (application specific integrated circuit) design centre to

provide design services for the Hong Kong and the Asia Pacific Region.

Not all industrialists are convinced, however, that research and development spending is the key to the future. Mr Tommy Zau, a portly and blunt millionaire who makes transistors and diodes at his Electronic Devices plant in Kwai Chung in the New Territories, says it is not the answer.

"You need a lot of doctors sitting there doing nothing. We cannot afford it. We don't have the facilities and we don't have the education."

Instead, he believes there is much more to be gained by investment to improve productivity, cut costs and improve the quality of production.

"We call this improvement; we don't call it research," he says.

Mr Zau says he is planning investments in automated machinery of between HK\$100m and HK\$200m which will help him halve his present 1,600 workforce and make a substantial difference to costs. With the labour market tight in Hong Kong wages have been rising rapidly, and this has already forced a relatively high degree of automation, at least on the larger companies which can afford the investment.

Another approach is reflected by Gold Peak Industries whose managing director, Victor Lo, says "we believe we have a bigger chance of success by tying up with bigger overseas companies." Gold Peak already has a joint venture with Philips for the manufacture of car radios in China and one with Shinwa of Japan for cassette mechanisms.

Mr Lo says the advantages of joint ventures include technology transfer, a commitment by the partner firm to buy the production, the right to market the partner firm's goods in China, and sometimes access to technical and management personnel which are short in Hong Kong.

His is one of the firms making use of the cheap labour now available in China "without which most of the low-end electronics production would have died by now."

Attractive though manufacturing is in China because of its low wage base, it still poses a number of problems including that of quality control and management. Moreover, the stringent local content requirements imposed by the US as a criterion for eligibility for its generalised system of preferences (GSP) mean that manufacturers can risk losing tariff concessions on their products.

Yet for many it has been a way of offsetting the expensive labour costs in Hong Kong.

While no one disputes that Hong Kong's electronics industry is in danger of falling behind that of its competitors in South East Asia and needs to be upgraded, there is still little consensus about how effective or fast the process now under way will be. Most companies are still engaged in straightforward assembly work and Hong Kong has developed few products of its own, a notable exception being the display screen system developed by the BSR group which was used to display spectator information at the America's Cup races in Perth last year.

What is clear in many people's minds, however, is the need for the process to continue. Mr Yeung of the Industry Department explains why: "Over time, unless we upgrade the efficiency of our output, manufacturing is likely to shrink and the electronics industry will decline because we have got to stay competitive. When that happens there's going to be severe social polarisation."

Helped by the weakness of the US currency against the yen, the electronics industry is currently enjoying boom conditions, but Mr Lo believes it would be an illusion to think that this means the corner has been turned.

"Our growth is not market growth," he says. "It's purely a shift of workload from one place to another."

Peter Montagnon

Plenty of scope for the Hong Kong business visitor

Launch point for a breakaway

THE PACE of working life in Hong Kong is reputed to be frenetic. This may be a self-serving myth put about by the territory's 50,000 expatriates, but it is a reputation that few seem willing to challenge. Combine this with the claustrophobia of living in a "village" perched on all sides by concrete and steel and you have the ideal setting for the passionate study of breakaway weekends.

Joining the generously paid expatriate population in the quest for privacy, sunshine and coral beaches are Hong Kong's increasingly affluent "chubby" class—the Chinese equivalent of the expatriate and a steady flow of visiting executives who bring along their husbands or wives and use Hong Kong as a holiday springboard after a working visit to the territory.

As far as locally based expatriates or chappies are concerned, the periods of massive exodus are Chinese New Year, Easter, and Christmas. Airlines in the region are creaking at the seams during these periods to get holidaymakers to the most popular destinations, and many would suggest you book up to a year ahead.

If you avoid these terming rushes, many short breakaways can still be arranged fairly spontaneously, taking you to beaches that will knock spots off anything Europe or the Mediterranean can offer, to luxurious golf courses that are as empty as Northumberland beaches in November, to coral reefs that compare with the Red Sea or the Barrier Reef—and all for prices that are modest by the standards of European or American travel.

Here are a handful of the choicer places to breakaway. Essentially, the packages are long weekends. They offer sand, sun, watersports, and wonderful hotels. Visits to places like Langkawi in Malaysia, the Maldives in the Indian Ocean, or New Zealand, had been favoured either because they would take more travelling time than is sensible for a weekend getaway, or because the destination itself would deserve more than a weekend to do it justice: Sabah and Sarawak.

Kota Kinabalu

THE PERFECT getaway has to be the Tanjung Aru Hotel in Kota Kinabalu, capital of Sabah on the North Borneo coast. Kota Kinabalu is just two hours flying time from Hong Kong, and the hotel is a mere 10 minutes from the airport. It has a marvellous local character, yet offers luxury that even blue-rinse American ladies would find hard to complain about.

Unlike nearby countries such as the Philippines or Peninsular Malaysia, which are pestered by rainy seasons or typhoons, Sabah has a wonderful tropical climate. Adjacent to the hotel are a string of jungle islands surrounded by coral reefs. A three-hour ride can take you up Mount Kinabalu, South East Asia's highest mountain, into jungle parks—a haven of tropical plants and wildlife.

Weekend packages, offered by Cathay Pacific and Malaysian Airlines, are arranged through a company called Archer Travel, and cost about HK\$3,100 a person.

Sarawak

Adjacent to Sabah is the equally tantalising eastern Malaysian state of Sarawak. Harder to get to, but by all accounts worth the effort even for a long weekend, is the Sheraton Damai Resort Hotel, which is a three-hour drive from Kuching, Sarawak's capital. The hotel is spanking new, sits on its own coral beach, and is equally well-placed for trips into the jungle interior, to see local tribes such as the Ibans, still living in traditional long-houses.

Visits would normally involve one night in Kuching. You would fly on Malaysian Airlines, and a two-weekend would cost around HK\$3,400 per person.

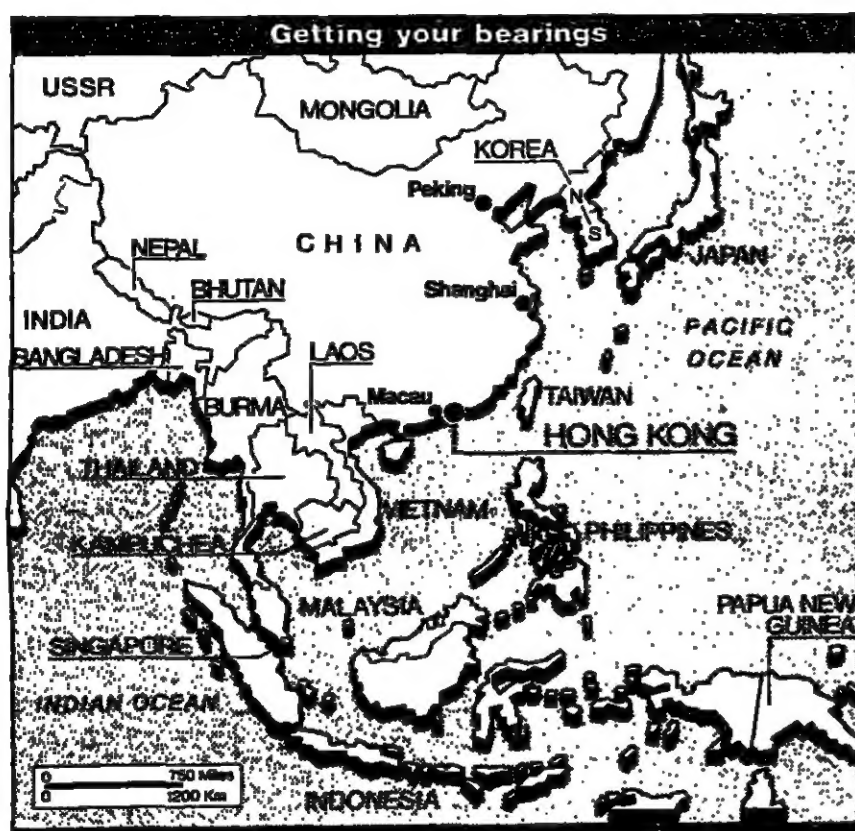
Peninsular Malaysia

PENINSULAR MALAYSIA itself is still surprisingly free of the tourist hordes. With direct flights from Hong Kong to Penang and Kuala Lumpur, a wide range of weekend options are open—from the Satru Funtung Beach in Penang, or the offshore island of Langkawi, to the genteel and temperate Cameron Highlands, or in the south, Mawaca.

Kuala Lumpur itself has strong attractions; for golfers, the Hyatt Saujana, takes a lot of beating.

Thailand

THE TROPICAL island of Phuket remains the leading tourist destination for Hong Kong's weekenders. Many thus complain nowadays that it has lost its charm, but this need not be the case. The new Anamapuri Hotel, which is the inspiration of the same man that established Hong Kong's recent hotel, promises to offer charms and luxuries that take some beating, but it is also likely to be stunningly expensive. The yet-to-be-completed Dusit Laguna looks breathtaking, while the Phuket Yacht Club and



the Meridien remain favourites. For something that very few have yet latched onto, the Station Hotel in the ancient fishing town of Hualin offers an excellent weekend opportunity. Hualin is three and a half hours drive south from Bangkok, but can also be reached by train. It was "discovered" in the 1920s by Thailand's then King Rama VI, and still today has a royal summer palace. The Station Hotel, first built in 1923, drips old world charm, and has just been restored to its original glory—with 1980's comforts—by the French hotel group, Sofitel.

Philippines

THE PHILIPPINES is almost commuting distance from Hong Kong, so very little privacy is going to be won there. Puerto Azul and Punta Saliente are two hours from Manila, are beautiful resorts, and can be reached, for example, on a Thomas Cook package for HK\$2,230 for a four-day weekend.

CEBU offers attractive corals, and diving opportunities, but needs a change of aircraft in Manila. A resort like the Tambuli beach is just minutes from Cebu Airport, while the Argao beach resort takes a three-hour drive from Cebu City. But to escape effectively, you would need to head for somewhere like Boracay, which has the deserted white beaches and blue azure sea that one comes to expect only in photographs in travel brochures, but needs a more adventurous approach. Thomas Cook offers a HK\$2,800 weekend package to Friday's beach resort, which it describes as "a well-run family show."

Bali

BALI, like Phuket, is so much part of the mythology of tourism in the Orient that many ban at joining the hordes travelling there. But even old Asia hands insist that tourists have failed to spoil this extraordinary Indonesian island.

Both Cathay Pacific and Garuda now offer direct flights, and weekend options are now possible. On the long-established Sanur Beach, the Oberoi, the Sol and the Hyatt remain the favourites, according to Cathay Pacific's tour manager, Elizabeth Rhodes. She says, however, that Kuta beach, which faces west into the sunset and is a longer and lovelier beach than Sanur, is no longer the hippy sanctuary that it was for many years, and now has a number of excellent hotels. The Nusa Dua beach, only just opened up by the tourist authorities, faces the dawn like Sanur, but is said to be excellent. Cathay's discovery tours, and Thomas Cook travel packages can take you to the Nusa Dua beach resort for three nights at a cost of just under HK\$3,800 a person.

China

FROM a tourist point of view, China is hard work. China's national airline is erratic, as is the quality of food and hotels. But this country has a gripping fascination for many, and offers a wide range of breakaway opportunities.

Countless standard packages can take a visitor through Peking, Shanghai, and Canton, or to Xian to see the recently-unearthed

terra-cotta army of Emperor Qing Shi Huangdi, or to Guilin to see the astonishing Karst Mountains that adjoin the Li River. More original options are to take a ferry to Macao, or to one of the towns on the western seaboard of the Pearl River, like Jiangmen, and travel at a leisurely pace north towards Canton. The old fortified villages with their now crumbling watchtowers, the luxuriant rice-paddy country of the delta, and striking mountain outcrops, make for a fascinating journey.

From Canton, cruise liners provide a regular overnight ferry service back to Hong Kong, and they have a wonderful "journey down the Nile" ambience to them. In addition, they bring you into Hong Kong's panoramic harbour at dawn, which can be breathtaking even for people long familiar with the territory.

Another out-of-the-ordinary option would be to take a weekend break to Hainan, China's only tropical island. There are overnight ferries from Hong Kong, and flights that are routed through Canton. The island has a very distinctive culture, has a marvellous coastline and mountain scenery, and a chequered relationship with Peking.

Traditionally, it was the place of exile for out-of-favour mandarins, or of refugees from political oppression on the overthrow of any dynasty. Unlike most parts of China, the local culinary traditions remain strong, and fresh fish, vegetables and tropical fruits are plentiful.

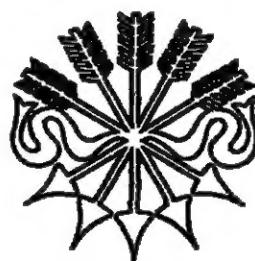
A third interesting option is to take a cruise on the SS Jinjiang to Shanghai, via Xiamen. This cruise ship is luxurious by Chinese standards; it is not state controlled, and therefore has a sense of market responsiveness. Cruises leave Hong Kong at approximately weekly intervals, and take two days.

If you return by air (Cathay Pacific operates flights to Shanghai) a weekend break in Shanghai becomes possible.

It is worth repeating that holidays in China are for the robust and the patient visitor. If you prefer to slump onto a beach on a coral beach and concentrate on being basted in the sun after weeks of exhausting and enervating business in Hong Kong, then any Chinese destination would be a waste of time. Visits are likely to become easier once the fledgling Hong Kong airline, Dragonair, wins rights for scheduled services to an array of provincial cities, but it is still uncertain when these rights will be won. Sino-British aviation talks are scheduled for early next month.

A further postscript on all of the ideas outlined here is that no one can reasonably expect to go to tropical islands surrounded by tropical forests without preparing for luxurious insect life. Most modern hotels provide the air-conditioning, and the room hygiene that keeps animal life out of doors, but they can do little more without destroying the very attractions that draw tourists to such places. There will be stick insects on doors, geckos scrambling on walls, and lumbering cicadas flying from the trees at dusk. It is more important to note that there will be mosquitoes, therefore an effective insect repellent is essential for a comfortable holiday.

David Dodwell



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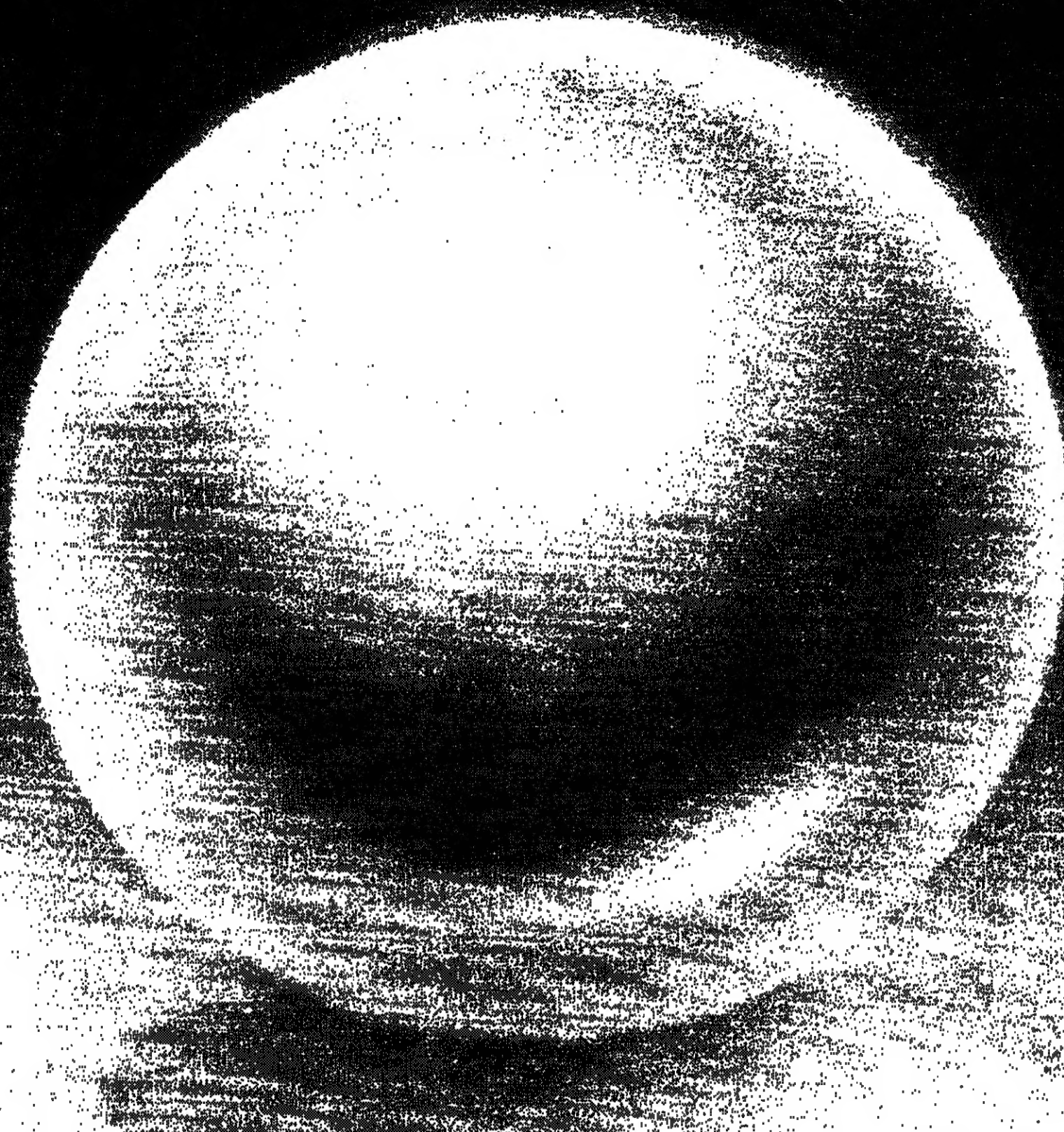
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